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Regional Oral History Office
The Bancroft Library

University of California
Berkeley, California

Government History Documentation Project
Ronald Reagan Gubernatorial Era

Robert Carleson

STEMMING THE WELFARE TIDE

An Interview Conducted by
Gabrielle Morris
in 1983

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PREFACE

California government and politics from 1966 through 1974 are the focus of the Reagan Gubernatorial Era Series of the state Government History Documentation Project, conducted by the Regional Oral History Office of The Bancroft Library with the participation of the oral history programs at the Davis and Los Angeles campuses of the University of California, Claremont Graduate School, and California State University at Fullerton. This series of interviews carries forward studies of significant issues and processes in public administration begun by the Regional Oral History Office in 1969. In previous series, interviews with over 220 legislators, elected and appointed officials, and others active in public life during the governorships of Earl Warren, Goodwin Knight, and Edmund Brown, Sr., were completed and are now available to scholars.

The first unit in the Government History Documentation Project, the Earl Warren Series, produced interviews with Warren himself and others centered on key developments in politics and government administration at the state and county level, innovations in criminal justice, public health, and social welfare from 1925-1953. Interviews in the Knight-Brown Era continued the earlier inquiries into the nature of the governor's office and its relations with executive departments and the legislature, and explored the rapid social and economic changes in the years 1953-1966, as well as preserving Brown's own account of his extensive political career. Among the issues documented were the rise and fall of the Democratic party; establishment of the California Water Plan; election law changes, reapportionment and new political techniques; education and various social programs.

During Ronald Reagan's years as governor, important changes became evident in California government and politics. His administration marked an end to the progressive period which had provided the determining outlines of government organization and political strategy since 1910 and the beginning of a period of limits in state policy and programs, the extent of which is not yet clear. Interviews in this series deal with the efforts of the administration to increase government efficiency and economy and with organizational innovations designed to expand the management capability of the governor's office, as well as critical aspects of state health, education, welfare, conservation, and criminal justice programs. Legislative and executive department narrators provide their perspectives on these efforts and their impact on the continuing process of legislative and elective politics.

Work began on the Reagan Gubernatorial Era Series in 1979. Planning and research for this phase of the project were augmented by participation of other oral history programs with experience in public affairs. Additional advisors were selected to provide relevant background for identifying persons to be interviewed and understanding of issues to be documented. Project research files, developed by the Regional Oral History Office staff to provide a systematic background for questions, were updated to add personal, topical, and chronological data for the Reagan period to the existing base of information for 1925 through 1966, and to supplement research by participating programs as needed. Valuable, continuing assistance in preparing for interviews was provided by the Hoover Institution at Stanford University, which houses the Ronald Reagan Papers, and by the State Archives in Sacramento.

An effort was made to select a range of interviewees that would reflect the increase in government responsibilities and that would represent diverse points of view. In general, participating programs were contracted to conduct interviews on topics with which they have particular expertise, with persons presently located nearby. Each interview is identified as to the originating institution. Most interviewees have been queried on a limited number of topics with which they were personally connected; a few narrators with unusual breadth of experience have been asked to discuss a multiplicity of subjects. When possible, the interviews have traced the course of specific issues leading up to and resulting from events during the Reagan administration in order to develop a sense of the continuity and interrelationships that are a significant aspect of the government process.

Throughout Reagan's years as governor, there was considerable interest and speculation concerning his potential for the presidency; by the time interviewing for this project began in late 1980, he was indeed president. Project interviewers have attempted, where appropriate, to retrieve recollections of that contemporary concern as it operated in the governor's office. The intent of the present interviews, however, is to document the course of California government from 1967 to 1974, and Reagan's impact on it. While many interviewees frame their narratives of the Sacramento years in relation to goals and performance of Reagan's national administration, their comments often clarify aspects of the gubernatorial period that were not clear at the time. Like other historical documentation, these oral histories do not in themselves provide the complete record of the past. It is hoped that they offer firsthand experience of passions and personalities that have influenced significant events past and present.

The Reagan Gubernatorial Era Series was begun with funding from the California legislature via the office of the Secretary of State and continued through the generosity of various individual donors. Several memoirs have been funded in part by the California Women in Politics Project under a grant from the National Endowment for the Humanities, including a matching grant from the Rockefeller Foundation; by the Sierra Club Project also under a NEH grant; and by the privately funded Bay Area State and Regional Planning Project. This joint funding has enabled staff working with narrators and topics related to several projects to expand the scope and thoroughness of each individual interview involved by careful coordination of their work.

The Regional Oral History Office was established to tape record autobiographical interviews with persons significant in the history of California and the West. The Office is under the administrative direction of James D. Hart, Director of the Bancroft Library, and Willa Baum, head of the Office. Copies of all interviews in the series are available for research use in The Bancroft Library, UCLA Department of Special Collections, and the State Archives in Sacramento. Selected interviews are also available at other manuscript depositories.

July 1982
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Project Director

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INTERVIEW HISTORY -- Robert Carleson

During Ronald Reagan's years as governor, the burgeoning cost of welfare was a major concern of state and federal government. Efforts during his first term to reduce the rising numbers of people on welfare, and to control the cost of Medi-Cal, California's program for health care for the medically indigent, were not achieving their goals. Federal officials were saying there was no way for the states to bring welfare under control, and President Nixon was urging Congress to pass his Family Assistance Plan to nationalize programs for the needy.

In the summer of 1970, Reagan quietly convened a task force of top state administrators and assigned them to come up with a new plan of action to be implemented within a few months. To this task force an energetic young deputy director of Public Works was assigned who had earlier distinguished himself in city government. Robert Carleson recalls that it was reported that "virtually every top advisor to the governor recommended against his taking on the 'welfare mess.' ...I think it was going to be one last move on the part of the governor, to try and see if something couldn't be done."

Welfare reform was not a task that Carleson sought but, "I got enthusiastic because of the force of Reagan's personality; he got the message through loud and clear that he really needed help on this. So I wanted to do a good job for him." Carleson did such a good job of analyzing state and federal regulations and administration of the state Department of Social Welfare and their budget implications that he was promptly asked to carry out the recommendations he had proposed.

In approximately five hours of taped discussion with the Reagan Gubernatorial Era Project, Carleson provides a concise and fascinating reconstruction of the twelve months from August 1970 to September 1971 during which his team made its study and restructured the department, including the passage of controversial legislation dealing with reforms that could not be carried out administratively. Carleson also discusses his work as city manager in southern California and with the state Department of Public Works, with some entertaining anecdotes on decisionmaking strategies.

When the task force findings were discussed with Reagan's cabinet, Carleson was prepared to say that "a hundred-million dollars could be plugged into the [1971-1972] budget for welfare savings," as well as a long overdue increase in benefits for recipients. He also concluded that part of

the problem was that department socialworkers "really believed that they were representing the people who came in the door. They weren't representing the people who were paying the bill or were running the department."

He found that "the socialworkers were running the department," similar to his experience in the Department of Public Works, where highway engineers were the elite who controlled the department. In both cases, it was important to Reagan's appointees that they establish control of the government so that they could carry out the governor's policies. The solution in Social Welfare was to shift socialworkers out of administration and reassign them to direct service to clients. This then created managerial spaces, for which the department recruited civil servants who were eager to leave aging departmental bureaucracies.

Much of this interview is devoted to detailed recollection of passage of the 1971 Welfare Reform Act. Lou Cannon and others have described these negotiations as Reagan's first major compromise with legislative leaders, but for Carleson it was a classic confrontation, complete with questionable actions by some legislative staff and lobbyists for activist groups. Reagan's people were confident of victory, however, because they had Operation Crossfire in reserve. This was embodied in a statewide Citizen's Committee for Welfare Reform, coordinated by the chamber of commerce, which flooded the capitol with letters and was prepared to launch an initiative campaign if suitable legislation was not passed.

The first interview with Mr. Carleson was recorded in February 1983 in a quiet conference room in San Diego where he had come to give a speech; the second in May of that year in his handsome office in the Old Executive Office Building in Washington. Carleson was then serving as domestic affairs advisor to President Reagan. A few months earlier he had undergone quadruple bypass surgery, which did not appear to have lessened his energy, intensity, nor concentration. By the time he had reviewed the edited transcripts of the tapes and made a few minor corrections, Carleson had returned to the private sector as director of governmental relations for Main Hurdman Company in Washington, D.C.

Gabrielle Morris
Interviewer-editor

May 16, 1985
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I OPENING NOTE ON WELFARE REFORM AND JOURNALIST LOU CANNON

[Date of Interview: February 11, 1983]##

Carleson: It's funny--because [Lou] Cannon has written his book* and because he is Washington Post--it's become de rigueur that Ronald Reagan in his second term [as governor] changed his methods and became a compromiser with the legislature rather than [it being] a confrontational thing. He uses examples, the welfare reform and then some of the other things that came later--taxes and so forth. I don't know about the other things that came later, but the welfare reform was a classic confrontational thing. The only way that Lou could possibly have got it any differently was because he was talking after the fact to the people, [Robert] Moretti and his staff, who were trying to downplay that part heavily. But it was a classic case of running into an absolute roadblock in the legislature and going to the people. I guess when we get down to that we can go into it in detail, but rather than being a compromise--and I am not saying that compromises aren't good, it's just that that's not what happened. [laughs] In fact, I am not against compromise.

Do you want to start at the start?

Morris: I would like to.

##This symbol indicates the start of a new tape or tape segment. For Tape Guide, see p. 98.

*Lou Cannon, Reagan, G.P. Putnam's Sons, N.Y., 1982.

II FAST TRACK IN CITY MANAGEMENT

Public Administration Studies; Southern California City Government

[Tape interruption: pause for coffee, discussion of project. Interviewer asks how Carleson became interested in being a city manager.]

Carleson: I was interested in city management when I was in high school. My father was a member of the city council in Long Beach, I would attend some of the council meetings and I was interested in the role of the city manager. Eventually, I received a navy scholarship which sent me first to the University of Utah in 1949 for two years. Then I transferred to the University of Southern California for my final two years, in the school of public administration where I got a bachelor's degree in public administration in 1953 with a goal toward city management. I then served three years' active duty in the navy to meet my obligation, which included Korea and heavy cruiser for two years with the First Marine Division.

Morris: In combat?

Carleson: One week; the last week of the Korean War was on a ship in combat and the rest of it was post-truce in the Korean War.

Morris: So the navy used your public administration skills?

Carleson: No; other than just the general skills, no. I was on a regular navy ROTC scholarship, so whatever skills that I had gotten there, plus public administration.

Morris: How did you happen to pick Utah for starting—?

Carleson: I didn't really pick Utah exactly. The navy more or less sent me

there. I selected it as one of a group of a large number of schools that I would be willing to attend. I picked Utah--put it on the list--because it had an unusually good reputation for schools that were not high-profile schools. They had a very good academic reputation at that time. Of the schools that weren't considered the popular schools (they had the Ivy League and the others) it was on a list of a group of universities that I would be willing to accept. However, as soon as I could I arranged a transfer to USC, and I went there primarily because of the school of public administration which was then, and I think still is, in the top three in the country.

Morris: Was it your father's ideas or the professors' ideas, do you think, that shaped your own ideas on public administration?

Carleson: No, I observed his work on the city council, but in the process, I observed the work of the city manager which is a low-profile position in most cities, but it is the professional chief executive in the city. A council-manager form is not a strong mayor form, the mayor is not the chief executive. The city manager is the chief executive of the city. I was interested in local government for two reasons. One is that I believed that that's really where the action was and I also believed that that is where a young person could proceed faster--vis-a-vis the state or the federal government--and get significant responsibility faster.

When I came out of the navy in '56, I went back to USC's school of public administration for graduate work and simultaneously started first as an administrative intern with the city manager in Beverly Hills, which was I think at that time about the only paid internship in city management in southern California. Since that time there are a lot of them. It was a competitive position and I was to serve in that position for about a year, but I only served three months when I decided to compete for a position of administraive assistant to the director of public works for the City of Beverly Hills and work full time and do my school on a part-time basis. In about I would guess around September or October of '56, I became administrative assistant to the director of public works, which was the first administrative assistant in a department in that city.

I did that for about a year or so and then was offered the position of assistant city manager and city clerk in Claremont, California, which I did for a year or two. I was selected that year (I guess it was about '57 or '58, I think it was '58) as the outstanding young public administrator in southern California by the American Society of Public Administration. Then I was asked to take a position with the City of Torrance as senior administrative assistant to the city manager. A couple of years later, I was asked to become city manager of San Dimas,

California, which was a newly incorporated city, an old community but a newly incorporated city.

Morris: Changing from orange groves to--

Carleson: Orange groves to developed areas, so it was a real opportunity to create a city government as well as to, in effect, create a physical city. I was twenty-nine when I became city manager of San Dimas. Except for the initial application in Beverly Hills, [for] each of these others, I was recruited. In other words, I hadn't applied for each of them.

Morris: People were looking for your kind of skills.

Carleson: Yes. After four years as city manager of San Dimas (and we got everything well on its way both organizationally and physically) then I became city manager of Pico Rivera, which is a bigger city in Los Angeles County where I was city manager for four years. During that time--and I might add I always considered myself a professional city manager--I assumed that the most completely successful career would eventually to be the city manager of San Diego or one of the other large city manager cities and saw a career progression of moving to larger and larger cities.

Nonpartisan Politics, Need for Additional Revenue

Carleson: City management nationally but especially in California is very professional. It's not political. Part of that is tradition, part of it is because California has nonpartisan local government, and nonpartisan local government in itself tends to be nonpolitical in that sense. In fact, several city councils that I have worked with were cities that were heavily Democratic in registration but sometimes the majority of the city council were people who were actually Republicans, but it was not a partisan type thing.

Morris: There is politics in the sense of negotiating.

Carleson: --Using politics in the generic sense, yes. I am talking about partisanship, either political partisanship such as Republican and Democrat, or the partisanship of the competition for city council elections. I stayed completely out of that. As a matter of fact, in each of my cities there were certain turnovers of city councilmen due to elections, but I was always retained. So it was a separation of professional management administration from politics in that sense.

In the sense of policymaking, of course, one of the duties of the city manager is to recommend policy and negotiate and so forth. I would have considered normally a position, a politicaly appointed position in state government as being a jump from pure professional management administration to a semi-political type of role.

Morris: Because it is an appointment by a politically elected person?

Carleson: Yes, I am not sure I was correct at the time. But in those days, that is what we usually thought. Even though a city council selects a city manager and although they are elected, it is a group decision. So you don't have the responsibility to an individual or to a political party or whatever.

In any event, the way I got into state government is that the Los Angeles Ford plant is located in Pico Rivera and very frankly we found—I found—that the Ford plant was a major industry in the city, a major industry. It covered about two hundred acres and the city had no property tax. We relied on other kinds of taxes. The Ford plant was paying practically nothing in taxes, as was most industry, and our revenue and expenditure lines several years out were going to cross.

We had tried to get Ford to locate Ford dealerships or truck dealerships or other things in the city which would produce a sales-tax revenue, but they had a policy that they didn't want the dealerships close to the plant because other dealerships might think it gave unfair advantage to those dealerships--people would think they could get a cheaper price, so we were denied that. In light of that, I went to the top in the Ford Motor Company--

Morris: In the Pico Rivera plant?

Carleson: No, I talked to Dearborn. I called them and as a result of those inquiries, their western governmental affairs representative came out and wanted to meet with the mayor and me. This individual was Pat Hillings, who had been a congressman. In fact, he had taken the district that Richard Nixon gave up when he moved to the Senate and he ran for attorney general in 1958. I think he beat Cap Weinberger in the primary, but lost in the final. However, to me it was just a name that I had heard and so forth. But at that time, he was representing the Ford Motor Company in governmental affairs.

Through meetings and negotiations with him and with others, I was able to convince Ford that they should pay a big increase in their business-license tax, I mean percentage-wise it went from five hundred dollars a year to somewhere between fifty and a

hundred thousand dollars.

Morris: In lieu of property tax?

Carleson: To show them that eventually these lines were going to cross and there would have to be a property tax; and if we wanted to avoid that, that business was going to have pay its way through a big increase in the business-license tax. There were a lot of businesses and industries in town, but the biggest was Ford and they would be hit the hardest. At first, they naturally resisted but then they were convinced and they backed it with the chamber of commerce of the city, and eventually the whole business community went behind a major increase in the business-license tax.

About that time, Ronald Reagan was elected.

Contacts with Governor Reagan's Recruiters

Morris: We are talking about early 1966.

Carleson: Right now we are talking 1966, because I was city manager there from '64 to '68. Apparently Pat Hillings, who was close to Bob Finch, who was elected lieutenant governor at the same time, put my name in the hopper for a position in the administration, because I got an inquiry from them.

Morris: During the transition period?

Carleson: During the transition period, with an application form, a personnel form. I either wrote them or called them and said that I was really not interested in being in state government and I appreciated their interest, but I was happy where I was and didn't feel that I should apply for something like that.

Morris: Did that application form differ at all from the kinds of application forms we are all familiar with?

Carleson: No, it was very similar. It was a nice letter, but it would be a logical and legitimate way to get your information down on a piece of paper. I wasn't offended by the--

Morris: No, no, I am not asking that. It is the first time that I heard about the--

Carleson: Oh, that's right.

Morris: I know they used a recruiting firm, but I am interested that they used an application form.

Carleson: Yes, and it wasn't a firm that sent the letter, but I do remember there was a form. I had earlier, at Hillings request, given him a copy of my routine resumè, but I did tell him that I really wasn't interested. So that ended that and I went on with what I was doing. About a year later, I got a call from--who was the second appointments secretary?

Morris: Paul Haerle?

Carleson: Paul Haerle. The first one went on to become secretary of the air force and is now a special assistant to the president [Thomas Reed]. I got a call from Paul Haerle about a year later who said that he was the governor's appointment secretary and that he had my resumè and that he was going to be in the governor's office in southern California and wanted to talk to me. So I went over to see him; and in the first few minutes, although this was not important to me, but in the first few minutes we established that I was making more money than he was, so there weren't many positions that--but, of course, I said if I was interested in the position, it wouldn't make any difference what the salary was unless it was a major reduction, so that wasn't significant.

Morris: Was he talking to you about some specific job or just in general?

Carleson: I don't know whether he had something in mind, but he shifted gears into that level. But after the first five minutes or so, I spent most of the rest of the time trying to sell him on the value of using city managers in state administration--other city managers.

Morris: Using people with expertise in local government?

Carleson: Not only local government, but these were professional public managers and by nature they tend to be fiscally conservative. In other words, because they have the responsibility of making the tough decisions of whether you would have police or fire [service] or parks or recreation and having to take budgets and stay within the amounts, that city managers would be a real good source of people to manage elements of the state government and would be consistent with the kinds of skills they were looking for. So I was spending most of that time giving them names of some individuals who might--

Morris: Here you had somebody at the state level and you might as well get some ideas across to him?

Carleson: Yes, I was using that opportunity to sell and get other city managers into the process. So that was the end of that.

III DEPARTMENT OF PUBLIC WORKS

Appointment as Deputy Director

Carleson: About a year later, which would have been in '68, I got a call from Jim Moe, who I didn't know. He introduced himself to me as the newly appointed director of the Department of Public Works. [He said] that he was looking for a chief deputy because he had been the chief deputy and he had been promoted, and that he had my resumé, which he got from the governor's office, and he wanted to come down and talk to me. That was the first point I got interested, because I was interested in the transportation and highway program (at the city level, we dealt a lot with the Department of Public Works and the Division of Highways) and I got interested in the position, not in going into state government or so forth.

To make a long story short, he came down and interviewed me. He is a very meticulous interviewer. Apparently, he interviewed fifteen or twenty people. So a few weeks later, he asked me to come up to Sacramento, I guess for a sort of final interview of some kind. The day after I went back, he offered me the position. So I became chief deputy director of the State Department of Public Works.

Now, again, while I considered I was making a big change from a professional city manager to in effect a political appointee in a state department, I considered it different from the average administration appointment, in that the highway program had been pretty well insulated through state law for many years from the routine political decisions. The Highway Commission had complete control over the state highway budget and the budget of Department of Public Works. It did not go through the legislature nor through the governor because it relied entirely on highway gas tax and bridge tolls. It was dedicated revenue, so the appropriations were automatic and there was no

legislative budget involvement. Also, all of the route selections and everything, they made a big effort through the years to take it out of politics or out of regionalism or whatever, so that the route decisions were made by the independent Highway Commission. So it was probably the most insulated of all of the state functions from what I would consider to be the political considerations. It was a very professionalized effort.

Morris: There had been questions over the years about that being a tremendous concentration of power and budget in the Highway Commission.

Carleson: Oh, yes, but the thing that I have always felt was ideal about the gas tax was that it was the fairest tax that you could possibly develop. It was closest to being a user fee, because if you didn't drive at all, you didn't pay any tax. If you drove ten miles, you paid ten times as much as someone who drove one mile who used the highways, streets. and roads. As long as it was used for those purposes, it's extremely--not just a fair tax, but it is not one that has to be handled in a political decision. You don't decide a priority, whether we spend our money on highways or on welfare, because it was a gas tax paid for by the people that used the highways.

Morris: A specific--

Carleson: A specific tax. So if people didn't want to spend that much money on highways, then they should just reduce the gas tax! [laughs]

Morris: Federal funds at that point were not a major consideration?

Carleson: They were not <u>as</u> major. They were major because the interstate program was going and the federal government pays 90 percent of the interstate. But the same thing was going on at the federal level because the federal gas tax was used to finance all of that, and it was distributed on a similar basis. So it was the most nonpolitical of all of the functions. So we had very little dealings at all with the governor's office and so forth.

<u>Reorganization Plans; Division of Highways Autonomy</u>

Carleson: The thing that we were doing, though, that was significant was we were reorganizing the department, transforming it from a--through the years, the Department of Public Works had changed character.

It originally had the Division of Highways, had the Division of Architecture for all state buildings. It had the Water Resources Division. It had all kinds of different kinds of public works functions, and when they created the General Services Administration or whatever they call it now here--the Department of General Services--they moved the architecture function there. When they created the big state water project, they created a separate Department of Water Resources. At the same time they were expanding highways dramatically, so when I came in it really had a huge Division of Highways. It had a Division of Bay Toll Crossings, which were the toll bridges which are highways, and it had a legal division.

Morris: In terms of rights of way and lanes and--

Carleson: Rights of way and land acquisition. They had about a hundred and fifty lawyers or something like that.

Morris: Bigger than the attorney general's office.

Carleson: Oh, yes, and all of this was independent. They bought their automobiles independently. They had all of their purchasing separate from the rest of the state government. They hired their people separately from state government. It was a completely self-contained operation, but it was basically a highway department. There had even been created a very tiny little department of aviation for airports. But what we were doing, we were recreating it into a Department of Transportation. We were going to move the aviation function back into the highway and mass transit functions, which was a new idea at the state level. So during the time I was there, we were doing that, but we were doing something even more significantly. It was done very quietly. Traditionally, a lot of this had to do with the personality of Senator Randolph Collier, who is considered the grandfather of the California highway program.

Morris: Was he in favor of this reorganization?

Carleson: Randy Collier was very proud of the fact that he, over many, many years as chairman of the Transportation Committee of the senate, was the father of the freeway system. He was from a northern or northwestern county.

Morris: Yreka, yes.

Carleson: But he had a completely statewide attitude rather than a regional attitude, and he had a lot to do with creating this concept of the independent highway commission and the fact that routes and all of these decisions would be made for the good of the whole system rather than for who had the most political clout in whichever part of the state. What had developed, and this is

fairly common, especially at the federal level, was a system whereby the Division of Highways was the pre-eminent part of the Department of Public Works. The state highway engineer [John Legarra], who is a civil servant and the head of the Division of Highways, would actually originally make his recommendations directly to the Highway Commission and was heavily protected legally and otherwise by law by the power of Senator Collier and the Senate Transportation Committee and so forth, so that the directors of Public Works, who were appointed by governors, were almost nothing but figureheads. It was sort of the view that they could cut ribbons on freeways and things like that but that the real power flowed from the Division of Highways through that state highway engineer to the Highway Commission. It was sort of a view that not only the legislature should be out of it, but so should the governor's people be out of it. This wasn't generally recognized, but that was just a fact of life.

As these divisions and elements sprung away, it was really a highway department. So you had an anomaly where you had a director of the department who was not really in charge. The Department of Public Works was really the highway division. The bridges division and the lawyers would serve the other two divisions.

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Carleson: A lot had been changed within a year or two or three years before I came in so that the budget would be submitted by the state highway engineer to the commission but through the director of Public Works. What had happened in those first two or three budgets is it was a routine thing. It would be just a letter of transmittal from the director of Public Works transmitting the state highway engineer's budget.

Landscaping vs. Highway Safety: Seeking Administrative and Budget Control

Carleson: What our goal, and especially my goal in advising Jim Moe was--he had had no experience in government, he had been a private engineer--was to try to achieve control over the department. [laughs] Remember I said the department was self-contained in purchasing automobiles and everything. Actually, it was worse than that. The Division of Highways had all of the purchasing function for the department. It had all of the personnel function for the department. It had all of the accounting and all of the management analysis functions for the entire

department. It was really the Division of Highways that was self-contained even within the department. If the Division of Bay Toll Crossings needed automobiles, they were purchased by the Division of Highways.

And also the Division of Highways was an elite organization, a very good one, but elite in the sense that you had to be a registered civil engineer to have almost any position of authority whether it was the manager of the personnel function, the accounting function, the purchasing function, or whatever. You might have accountants or you might have managers or you might have personnel people, but they would require that the manager at almost every significant level be a registered civil engineer. Therefore, those other functions tended to be step-children and the professionals in those functions that weren't engineers had no hope of really achieving any significant role in the hierarchy of the Division of Highways. So what occurred to me would be the way to gain control for the director would be to create a fourth division which would be--I think we called it the Division of Administrative Services.

Morris: Had you had access, when you came into the department, to the recommendations of the governor's task force?

Carleson: No, that was something that had been going on before I got there and I never really paid any attention to that. It wasn't that I ignored it. They had a team of people in the department who had been reviewing those and implementing or whatever; but, no, this was my own judgment working with Jim Moe.

Morris: In relation to what you found when you two got there rather than--?

Carleson: Yes, what we found when I got there. He had been there for a couple of years as the chief deputy director. He did feel, and I feel, that in a democratic form of government that the people through their elected representatives, through their governor and appointees, should be running the departments, not the self-sustaining bureaucracy, no matter how good they were working.

So I looked at the department and found out that everybody else in the department, including the director, was subject to the wishes of the Division of Highways. They couldn't get paper, they couldn't get automobiles, they couldn't get radios, they couldn't get people or anything without doing that, which was an anomaly. I might add, by the way, that the highway program was <u>extremely</u> popular with me. I believed very strongly in it, and so did Jim Moe; but it was also very, very popular politically with people who would support the governor.

Morris: In terms of businessmen--?

Carleson: The highway establishment was everything from labor unions relating to construction work through contractors through the automobile industry through the whole thing. It is not just business. It is all phases of it, the automobile clubs, everybody who had any interest in building, using, or maintaining highways, which was quite a powerful group. It was a group which was from my standpoint a good group, but it was a very potent group. So two young guys couldn't come in and fool with the system and mess around with it without being extremely careful, because there would be quite a few people who would be very upset with us if it were done wrong.

So it occurred to me that what we should do is create a division of administrative services, an independent division, along with the legal division and the other two operation divisions, and take out of the Division of Highways all of the non-highway functions; in other words, the personnel function and the budget function. The budget function was very important because it was the budget for the whole department and the purchasing functions and all of those kinds of functions--to actually take them out of the Division of Highways and put them in a separate division--and I advised Jim that we should look for an older, beribboned veteran of state government to head that division who would have stature and status as equivalent as possible to the beribboned chief engineer. I remember we had some discussions about that because maybe what you would really need is a young changer and doer and I said, no, we need somebody who is--

Morris: We have two of those. Do you classify Jim Moe as having the same kind of interest and approach to things as you?

Carleson: Oh, yes, but I had had a lot of government experience in dealing with bureaucracies, and the thing that I wanted to see happen was a situation where the Division of Highways could not function without having to go to the Division of Administrative Services. I felt that as long as the divisions could work together and solve their problems [there was] no problem, but whenever they had a difference of opinion, it could only be resolved at the next level, which was the director's level, and that way the director would end up controlling the department.

Morris: Had they taught you this at USC?

Carleson: I just learned it; I don't know, I just learned it. The way you get control over a department is you have to have problems brought to you and make decisions; and you have to become the arbiter of disputes, among other things, and that old organization, that was the state highway engineer because the next level--there was no one to dispute the state highway

engineer at the next level.

Morris: So who did you find to head this new administrative division?

Carleson: Len something-or-other. He was gray haired. I think he came from either the Department of General Services or one of those.

Morris: Finance?

Carleson: It might have been Finance, but I think it was General Services. Anyway, the Division of Highways didn't see any real threat to this because they really preferred to plan, design, build, and maintain highways rather than do all of this paperwork and all of this other stuff. In any event, the--

Morris: And from an engineer's point of view, it is always good to build more, whatever it is?

Carleson: No, I wouldn't say it was that so much as they wanted to do everything right. The issue wasn't whether you build more, because we had a plan, we had a program, we had financing, we had it scheduled; and it was very well done. So we really are talking more about management, not policy, at this point. We are also talking about making the director of the department the boss of the department [laughs] which is a management function at this point.

So we were successful, and we did create the Division of Administrative Services. There were two reasons for having the beribboned guy. One is that he could compete at that level, but also that he would be a rational person who would get along with the state highway engineer so that we wouldn't have problems. In other words, I would expect that he and the state highway engineer would negotiate most of the disputes that would arise below them. We didn't want somebody there who would all of a sudden become just a turf-defender and then send too many problems to the director, but I figured there would be, in the natural scheme of things, there would be some things that would go to the director, and that would then make the director the boss of the department. That, I think, worked.

The other, which relates more to policy now, was the budget. I don't think we really did succeed in getting the budget function out of the Division of Highways. I think that is where we had a little resistance, and we didn't worry about that; but I figured that we would use the law that said the budget would go through the director of the department--it was still the state highway engineer's budget. It wasn't like a city manager where the police chief sends his recommendations to the city manager and the city manager creates the budget and it is the city manager's budget when it goes to the city council. It was still

the state highway engineer's budget.

So what we did in one year, the key year, was I looked around for some way we could make a change, a recommended change in the budget symbolically, to establish our precedence in the budget area. It was sort of funny because the engineers generally want to build highways, and landscaping was more something that had been pushed on them over the years by environmental interests and by other people. They like to build highways. They like to build safe highways. I noticed at the time that one of the assistant state highway engineers had gotten heavily enthused with eliminating highway safety hazards and had done a big inventory of all of the highways in the state, inventorying all of the potential safety hazards, everything from putting in breakaway poles and breakaway signs, protections for abutments, and all kinds of things that traditionally had not been built into highways but which newer engineering and safety thinking [indicated] could produce big savings of lives. He used to campaign for a bigger budget for that area, and he identified them and had a four or five-year program for eliminating these hazards.

At the same time, I noticed that there was a landscaping budget which--there are several degrees of landscaping. There is functional landscaping where you landscape it to keep it from washing away, which is an engineering type of landscaping; it can also be very beautiful and pretty and everything else, but it is functional. The second degree of landscaping would be landscaping that was required to maintain the terms of a freeway agreement that the division had entered into with the city or the locality through which the freeway was going to go. In other words, if the city said, "We don't want that freeway unless you landscape it and put trees and things along"--so that was a contractual obligation that was a condition that the city received in signing the highway contract, the highway agreement, to let them use their right of way. That was the second priority. Then there was a third priority of landscaping which is going back and putting landscaping on highways that had not had landscaping, purely from an aesthetic viewpoint.

I can't remember the numbers, but for some reason or another $12 million sticks in my mind. So I had the thought that what we could do is we could deal with $12 million of the third level of landscaping. It was ironic. The reason I say it's ironic is that I think up until recent years before that, the state highway engineers wouldn't particularly want landscaping at all! [laughs] It had been sort of shoved down their throats. But here was a $12 million item for this third level of landscaping. That landscaping, like safety hazards, was also scheduled over a period of time. They knew where there were places around the state that they wanted to landscape, but it would take several

years. So it seemed to me an anacronism that we would be spending money on this kind of landscaping when we were costing lives, human lives, in safety hazards which they had formulas that could demonstrate that [eliminating] these safety hazards would save X-number of lives per year.

So what I went in for was to shift this $12 million from this third degree of landscaping to accelerating this highway safety-hazard part of the program. That would stretch out the landscaping but it would compact the safety elements and was a lifesaving device. So we put into the budget a shift of this money from the third level of landscaping to elimination of highway hazards and then with that, the budget went to the Highway Commission. The room was filled with people from the Division of Highways who had come to watch this confrontation because the unthinkable had happened: somebody was going to dispute the state highway engineer on his budget before the Highway Commission.

So Jim Moe made his case for safety. We brought in that assistant engineer who presented the case for the hazards. I might add that his name was Gerry Russell. He became somewhat of a sensation within the Division of Highways because he was one of the assistant highway engineers who testified in favor of the director's budget instead of the highway engineer's budget.

Morris: He came out in support of--

Carleson: We asked him to, we told him to do it. I told him, "You have been lobbying me on this stuff for a year and a half. If you believe it, then go--you have convinced me and you have convinced Moe. Don't pull out now."

So anyway, the Highway Commission was stretched on this. They really wanted to back the state highway engineer as a matter of principle, but they also could see the rationale in the recommendations, so the final decision was a compromise. I think instead of $12 million, it was $6 million that was taken out of that [landscaping and put into safety factors].

Morris: And that was a fair enough compromise from your point of view?

Carleson: Oh, it established everything we wanted, that we wanted to see. It established the precedent that the state highway engineer's budget was not adopted as recommended and was modified based on the recommendation of the director.

Morris: In this instance or in this whole situation, did you find that there was more resistance from the engineers or from the Highway Commission?

Carleson: It was all one group. Remember, traditionally the old Department of Public Works had other divisions in it, but the Highway Commission thought of themselves as the governing body of the Division of Highways. There was a bay toll crossing commission that had the toll bridges and there had been other things, and they thought of themselves as the highway part and the director of Public Works was sitting over here off to the side. The Highway Commission were good people but they considered that the highway program was them and the Division of Highways. In any event, the state highway engineer, we had given him an opportunity to accede to this so it would be a mutual recommendation, but he felt that he had to protect the inviolability of his budget, so he didn't do it.

Morris: Let me ask you a related but more general question. What you are telling me sounds like what is now taught in university classes as policy implementation. Was this something that there were classes in when you were in school?

Carleson: No, no. I have lectured at two or three classes in public administration at USC on this particular case ten years ago.

Anyway, the practical effect was that the next year, this time the state highway engineer brought his budget to the director and said, "Do you have any changes that you would like to make in it?" It became a joint effort, and it worked in the sense that the state highway engineer then started treating the director of the department as his boss in that sense. So you could call that policy in the sense of how you spend your money in your budget.

Route Selection: Dealing with Local Officials and Citizen Groups

Carleson: The other elements of policy related to route selection. If you are going to build a freeway from here to here, do you take this route or this route or this route. There are four or five alternatives. We started getting involved in making recommendations on route selection.

Morris: Is this something that the department lobbied heavily on?

Carleson: Yes, route selection is not major. It is not the sense that you build it here or a hundred miles away over here. It is when you connect point A with point B, do you go this way or do you go a half a mile to the right or do you curve it around this way? Usually what would happen is in the communities--these routes

would go either through this city or through that city, which is particularly important in an area say like L.A. County were there are eighty incorporated cities, and you can't build a freeway from here to there without traversing several cities; if you change the route slightly, you can miss some and pick up other ones and so forth.

In the old days, cities wanted freeways, but by the time that I was there, we were already into the freeway-revolt concept where most of the time the people in the communities didn't want the disruption that came with building the highway. So whether the city government would maybe like to have a freeway, the people in the area were upset and they would bring pressure.

Morris: Then how about the people who wanted to either have the freeway here or somewhere over here in terms of the shopping center they wanted to build or the apartment complex?

Carleson: That is what I was saying. Frequently, the city government may want the freeway to come through their city versus going through the next city because it could bring prosperity to their city versus the other city. Prosperity in city government is sales tax and if you can get a shopping center that produces sales tax—remember, I told you in Pico Rivera we wanted an automobile dealership--they would tend to, in their competition with other cities for a tax base and things like that, would tend to want them.

On the other hand, the people in the neighborhoods they were to go through very frequently would resist, largely by fear of the unknown; but you had these kinds of factors. The Division of Highways had found out through the years that they would put four or five routes on. They always knew which one they wanted. They would put out four or five routes and everybody on all of the routes would be upset and couldn't agree. They would hold the big hearings down in the area and there would be all of these competing forces, everybody--one group getting up and saying, "We don't want this route," and the other one would get up and say, "We don't want this route." So there would be no consensus at all, and then the Division of Highways would simply pick the route that they wanted.

But, this goes back to my San Dimas days, because when I was in San Dimas, now, that's a city that was newly incorporated, not really very much developed, struggling, and they were going to build a major freeway route in that general area, which is there now. In fact, I drove it today or yesterday and was very pleased with the way everything has worked out.

In any event, I came on the scene as city manager when the Division of Highways had their four or five different routes and

all of the opposition was starting to develop as usual. The city manager and the City of Pomona really wanted a certain route for these commercial purposes and it was the one the Division of Highways was probably going to want, and they had worked with them quietly. But when I came in there, I wanted a different route. I wanted the one that would come through San Dimas, which was a largely undeveloped area, so it wouldn't disrupt anybody, but it would move this freeway relatively close to our little downtown and bring our commercial district into that area.

So what I did was I went around laboriously to eight or nine city governments in the area that these routes would go through and citizens' groups in all of these places and in each instance I found that people were opposing the route that would go through their area. I said, "When you go to the public hearing, instead of saying that you oppose this route, why don't you say you will back"--in this case, I think it was the green route because they were identified by color--"why don't you back the green route and say that we think the best place for this freeway is the green route instead of saying we don't want the brown route or we don't want the red route."

So I had gone around place by place including even Pomona in which the city government quietly wanted, let's say, the brown route, but a lot of their people in the area didn't want the brown route, so they couldn't come out publicly and say they wanted the brown route. So I got everybody except Pomona to--they hired a great big hall and they thought it was going to be the biggest freeway hearing in the history of the Division of Highways. It turned out they had about fifty or sixty people there all of whom were representatives of either cities, chambers of commerce, or homeowners groups and everyone got up--it was very positive instead of negative--and every one of them said, "We want the green route," except for Pomona which got up and said, "We're neutral in this thing."

Morris: [They said], "We don't want the brown route?"

Carleson: No, they didn't say that. They just said, "We are neutral in this." So the poor Division of Highways was stuck with a route that was unanimously agreed upon by the people in the area. Even though they wanted the brown they built the green, and it is there now.

Role of Agency Secretaries and Ronald Reagan: Flood Repair, Southern Crossing of San Francisco Bay

Morris: Did you and Mr. Moe have much contact with the agency secretary in the reorganizing you were doing in the department?

Carleson: At that time, it was Gordon Luce and then Jim Hall toward the end of it; yes, oh, yes. Well, not so much in the reorganizing, no.

As you know, Ronald Reagan when he campaigned, one of his issues was criticizing [Edmund G., Sr.] Brown's creation of superagencies as another level of bureaucracy. So when he came in, he reduced them in number and made fairly clear that the agency secretaries weren't to be managers and administrators of the departments under them, but they were basically a policy flow from the departments to the governor and the governor to the departments. I am sure different cabinet secretaries, depending on the personalities of the individuals, did things in different ways; but generally we found that from a policy standpoint, Gordon and Jim paid attention, but they didn't interfere in the administration of the management of the departments. They expected that we were going to do the right thing and they didn't interfere with that. They might get involved when it related to some major route questions, not whether it's a green line or the brown line but whether you are going to build a freeway here or a hundred miles away over there.

During that period, there were two significant dealings I had with the governor, at the governor's level. One was not long after we were there; there had been very heavy storms in the north which had wiped out a lot of highways and bridges and [there had been] a tremendous amount of destruction. There was a need for money to rebuild and repair. It reminds me a little bit of what I am seeing about [Governor George] Deukmejian today with his sales tax, if you have been following it.

But the thing was that to raise these funds, to do this, would require an increase of, I think, a penny or whatever it was in the gasoline tax for a period of time to raise these funds. I had the charts with all of the counties and the damage and all that kind of thing. We were going over it, and I made a presentation to the governor on the storm damage.

Morris: At a cabinet meeting or just you in the governor's office?

Carleson: I am trying to remember. At this particular time I think it was largely to brief him one to one in his office, but it was also--I remember it had something to do with preparation for a press conference because immediately after the briefing he went out and

faced the press, not in the normal press conference room but on that one subject. I remember that was one of my vignettes about him. This was my first, other than just the ceremonial meeting, was my first way to observe Ronald Reagan. What struck me was that he--first of all, it was a complicated chart. His questions were penetrating. He went behind the numbers on the chart. He showed that he was not only paying attention, but that he understood the significance of them, and he asked questions that were well behind the material and frankly impressed me a lot as a manager with his depth of thinking on the subject.

The next thing that impressed me was when he went out to the press. The press was still playing with him. They were asking him questions to see if they could trip him up on something and one of them asked him some actually ridiculous question, "Governor, how much storm damage was there in Modoc County?" (I can't remember the name of the county, but let's say it was Modoc County.) He stood for a second and I knew that chart by heart. I mean I knew it. He stood for a second and I watched his eyes and they were moving like he was reading.

Morris: Could he see the chart?

Carleson: Oh, no, no, the chart was not there. I swear that his eyes were moving like he was reading and all of a sudden they stopped and he said, "That's $1.2 million." [laughter] Right on the nose!

Morris: In his mind he was going over the chart?

Carleson: I think he had a photographic memory for that chart and he went over that chart and hit the number right on the nose, and the guy sat down. So he not only showed the in depth knowledge that was necessary but he also has that photographic memory.

In that particular experience, he was very reluctant about raising taxes, but he also wanted to see that the highways were repaired because the people were in big trouble up there. He was concerned that if you raised the tax--

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Carleson: It would probably cost--it still had to be estimated, how much would it cost and how much would the one cent bring in over what period of time. So we suggested that it only be limited to a six-month period because that was what would be necessary to raise the money. So he took us one step farther and said, "Why don't we write it to where it will be for a six-month period, but that if enough funds are raised to do the work in a lesser time that the governor can sign a piece of paper that will end the tax earlier," [laughs] which was a very good idea on his part. That's the way it went through the legislature and I think we

raised it within four or five months and he signed it off. So he came up with that extra ingredient in the program.

The other experience with him was the southern crossing bridge in San Francisco, which became my project.

Morris: Which side were you on?

Carleson: I started out neutral because the bridge was one that had been heavily supported by the Brown administration. It was in the law in previous years and it was getting close to where contracts were going to have to start being let and so forth. We, of course, were wanting to eliminate unnecessary work and projects. So I was given the assignment by Jim Moe to head a little group of the most neutral people we could find, engineers and others, almost devil's advocates, to prove that the bridge was not necessary. In the process I came to the absolute conclusion that the opposite was true, that it was going to be extremely necessary and that it was like a lot of things: the lead time in constructing it and everything would be such that if we didn't get moving on it, we were going to run into major problems.

I remember the details. For instance, we found out that the conventional wisdom was that it would create smog and it turned out that it would reduce smog, because we found that a very significant amount of traffic would start from, let's say, somewhere south of Alameda and would come up to the--this is commuter traffic--would come up to the Bay Bridge, cross the Bay Bridge, bypass San Francisco, and go down somewhere on the Peninsula. This was a significant pattern, but if you had this bridge at the southern crossing, the distances would be much shorter; the amount of gasoline consumed and the amount of smog produced would be much less. We would reduce congestion into the city of San Francisco because all of this traffic that was not destined for San Francisco but was going through it would bypass it. We would eliminate a lot of the smog created by congestion on the bridge because it would flow more freely.

There were a lot of reasons almost the opposite of the reasons most of the opponents of the bridge had. The southern crossing would have been better than what they were proposing, but in addition to that, there was one argument given that building the BART would relieve the Bay Bridge. We found out that BART, if it were running full blast, full capacity, as fast as you could put trains there, all of them full of people, that it would actually only be the equivalent of three years' growth in the bridge traffic. So if the thing were working beautifully and full blast, all it would do would solve three years' worth of growth in the bridge traffic, and that was before San Francisco embarked on their great big building and highrise program which, if those had been ground into the origin and destination studies,

would have shown it to be much different. This has all been proven out now, the practical effect.

My first job was to take this case to the cabinet and the governor, do the presentation there. A couple of the cabinet members were pretty much against the bridge, others were for it, and so there was quite a heated discussion in there, and eventually the governor decided in favor of the bridge. The issue was that there was a bill that opponents were trying to put through to stop the bridge. The bridge was required by law, by an act of the legislature, and there was an effort to repeal that section.

Morris: A governor's bill or a legislator's?

Carleson: I suppose an initial decision would be whether we would support the bill.

Morris: It wasn't part of the administration's legislative program?

Carleson: At that point it was not. So the question was, do we support the bill? The next question is, if we don't, do we oppose it and do we veto it if it passes? The decision was made, of course, to veto it even if it passed. In fact, the lieutenant governor indicated at the time that if he was the governor of the state, he would veto it if it passed.

Morris: Was this still [Robert] Finch?

Carleson: No, no, [Ed] Reinecke at that time. So the other time we went before him on the bridge, before the cabinet, [it] was on the design. We had three ways you could—this was an aesthetic question, what shall it look like. I remember that was the second time the bridge went before the governor and the cabinet that I made the presentation. Then I was involved with the lobbying and we managed to win by one vote on the key committee in the assembly and stop the bill. A footnote: the next year when I was welfare director, the bill went--we tried again. I wasn't involved in it any more, and we lost by one vote.

I think a big mistake was made that the administration agreed to a vote of the people of the area. Now, that's good. That fits my federalism views, except that in the negotiating to get the governor to agree not to veto the bill, they offered a vote in the area instead of simply repealing it. In the negotiating they added two counties that had nothing to do with the bridge, Marin County and Santa Clara County, which was a mistake from my point of view because Santa Clara County, it was in their commercial interest to have no southern crossing bridge, because the congestion and the chaos that we knew was going to happen without the bridge would cause development and everything

to shift to the south area, to the Santa Clara-San Jose area. So they would benefit by chaos in the northern end of the bay. Marin County had no traffic role at all. They might as well have been Yreka. But Marin County was loaded with people who thought for some reason that bridges create smog and a lot of other things.

So anyway, when it went to the vote, the bridge lost and we didn't build the bridge. By that time, I was not thinking of bridges or highways. In August of '70--

Another Bob Carlson

Morris: Before we get into that, I would like to ask you just to clarify this point I asked you on the outline. Did you become president of the California State Employees Association at some point?

Carleson: No, that is the other Bob Carlson. My name is spelled differently than his.

Morris: The California Journal has misspelled your name a lot and, therefore, I just wanted to clear it up because somebody else is going to come across that.

Carleson: Oh, there is a vignette on that. That Bob Carlson was an attorney in the Department of Public Works and when I first came to the department, of course, I was unknown. I was chief deputy and he was very well known because he was the president of the California State Employees Association. There were quite a few little incidents, and these continued within the department. I remember one time I took a call and the guy said, "Hey, Bob, can you slip out for golf this morning?" I don't even play golf. I said, "No, who is this?" He said, "This is Joe," or something like that. "Do you think you can get away or do those guys up in the director's office--" I said, "No, this is the other Bob Carleson." But, no, he and I had a friendly relationship. I think we found out there were two other Bob Carlsons in the department somewhere, in some outlying area. But, no, we were not the same one at all. Later on, I became more notorious than he was and then he--

Morris: Then he was known as the welfare fellow! [laughs]

Carleson: No, then later on when we'd see each other at social events or something, he would say, "I am the other Bob Carlson!" [laughter] Anyway, no, I am not the same one.

IV WELFARE REFORM CONCEPTS

Uncertain Start; 1970 Staff Task Force

Morris: All right. So here you were trying to go on vacation.

Carleson: Yes, it was in August of 1970; I hadn't had a vacation in years and I rented a house down at San Clemente or Capistrano Beach for two weeks and jokingly I told my secretary that nothing is going to stop me from going on this vacation unless the governor calls and, of course, we didn't see him very often. What happened is that, all of a sudden, just like the Thursday or Friday before I was to leave, we got a call from the governor's office that he wanted to see me. I went over there and he had about six or seven of us in his little office and what he told us--he started with charts. The two subjects were welfare and education, and he personally went through these charts of what was happening in welfare, the rolls, the cost, the horrible mess that it was in, and then said that we were going to create a small, quiet, nonpublicized task force on welfare. Then he went into a similar set of charts on education and said they were going to create a small task force on that. I remember sitting there thinking, my god, which one am I going to be assigned to, and I said to myself, I hope isn't welfare, I hope it's education. I don't want anything to do with welfare. However, I was asked to be on the welfare task force.

Morris: Did the governor see some relationships between what was going on in education and in--?

Carleson: These were just the two big unsolved problems. This was toward the end of his first term, and these were just two big problems. I mean, to me, I was just called in out of the blue. But, no, he didn't connect welfare and education. It was just that these were two big problems.

Morris: Were the same kinds--in his presentation--

Carleson: I don't remember; I do not remember.

Morris: The cost figures and the--

Carleson: I wasn't focussing on either subject until I found I was going to be on welfare and then I started focussing on that, so I have no idea what the education question was. I think that Jim Dwight was made chairman of that task force, who was then chief deputy director of Finance and later went back to HEW when I went back with Cap. Ned Hutchinson was made chairman of our little group and there were only three or four of us. There was Ned Hutchinson, Jerry Fielder, who was the director of the Department of Agriculture, and myself. Then later they added John Mayfield who was deputy director of the Department of Conservation. If you notice, there was one each of us from the three agencies other than the human relations--it's called Health and Welfare now but then it was called the Human Relations Agency.

So I found out later that what the governor had asked was each of the agency secretaries to pick--now, this is what I was told—to pick their best guy no matter who he was, whether he was a director or whatever, to be on this task force.

Morris: Why not somebody from human relations?

Carleson: I think it was because human relations was going to be what we were going to look at. I think they went out of their way to pick people who were not involved directly. They had been through two welfare directors and the thing got worse instead of better. So they decided to take people that had nothing to do with the subject matter area as probably a last resort; because the conventional wisdom in those days, you had the Nixon administration pushing the federalization, the nationalization of welfare, through the Family Assistance plan, which Governor Reagan was opposing. I wasn't aware of all of this at the time.

Bob Finch as secretary [of HEW] was saying, "There is no way states can bring this stuff under control. It can only be done by nationalizing it." I think it was going to be one last move on the part of the governor to try to see if something couldn't be done. It was a low-profile. These were not announced. They were almost secret; they were virtually secret. So, therefore--

Morris: Was part of the secrecy because it was also an election year and Reagan was running for re-election?

Carleson: I think it was because he really wanted solutions. He didn't

want a committee to come up with a lowest common denominator thing. He didn't want it to become a political football. In other words, if it were announced, it would be written off immediately as just a political ploy, that there were two areas or at least welfare where things were not working. What do you do? You appoint a task force and the cynics would say that this was just for political purposes to say, "We're going to solve the problem." He was afraid, I think, of being accused of that, when in reality what he told us was it was imperative that solutions be found. We had an open book as to what we would want to recommend and that if he was re-elected we would implement and if not he would turn the plan over to his successor.

Morris: How about the agency secretary from Human Relations? Was he part of this discussion at all?

Carleson: I don't think so. He may have been there, but I don't think so. In any event, what happened is that I don't think Ned Hutchinson was enthusiastic about being asked to head this. I think he might have felt that he had some rivals in the governor's office and this was sidetracking off the appointments secretary or something. We were supposed to drop everything else we were doing and concentrate full time virtually on this, but I noticed that he was doing both jobs.

I got enthusiastic, very frankly, simply because of the force of Ronald Reagan's personality; he got the message through loud and clear that he really needed help on this thing. So I wanted to do a good job for him. Jerry Fielder was the director of the Department of Agriculture, and it was very hard for him to cease being director of the Department of Agriculture and do this.

Morris: Yes, which also sort of always operated as its own territory.

Carleson: I don't know about that, but I mean he was the director of the department. I was only the chief deputy director of my department. I wasn't the director. So it was hard for him.

We still had to show--we couldn't disappear from our regular work because otherwise people would say, "Where are these guys? What's going on?" So Jerry knew something had to be done but he couldn't spend a lot of time on it.

Morris: Did you have any staff assistance?

Carleson: What happened was that Ned (and Mayfield would work closely with him; Ned had brought him in, I think) Ned got an idea that they wanted to interview eight hundred people throughout the state at all levels of welfare administration and find out--

Morris: Had the governor suggested that?

Carleson: I don't think so, no. We just had a meeting and said, "What do we do now?" So he thought that's what we ought to do is interview all of these people--to get advice from everybody from county welfare directors down through eligibility workers and everything. Jerry was supposed to look into the federal side of things from Washington. Very frankly, I felt that we weren't going to really achieve that much, especially in the time we had, approaching it that way.

Morris: Had the governor given you a time frame on this?

Carleson: Oh, yes, it was supposed to be sometime in December. So I asked Ned and the rest of the group--and Jerry Fielder also didn't think that we were going in the right direction. So I asked Ned if I could set up my own group, and I would take the responsibility for the state regulations and statutes and organization and eligibility requirements and all of that stuff while they were doing this interviewing and so on.

Morris: You were pretty familiar with the state code, weren't you? Hadn't you done some work on that?

Carleson: No, not welfare. So he agreed. He seemed relieved. So I asked if I could operate independently and create my own little team and take this chunk of it. So they agreed.

Part of that was here it was my vacation, it was gone. So I decided to go spend the three weekends down there, but my family went down for the two weeks. I figured I could do as much down there over the weekend as I could do--I remember I got a copy of the Welfare and Institutions Code and I got a tape recorder and a big note pad and went down to this house on the beach and said, "Where do I start?" I looked at this book and I started to read this foreign language; of course, the Welfare and Institutions Code and the regulations to back it up were probably more complicated than any code we have in the state.

Morris: Did you put your wife to work reading some of this?

Carleson: Oh, no, I wasn't going to bother them. I probably didn't accomplish much on that weekend, frankly. I knew this wasn't the right way to do it. I had to organize it. That's when I went back to the meeting.

I figured what I needed was a young analyst and a young lawyer, that's what I needed for a team. Of course, I had a department full of these people, the best department in the state government! [laughs] I have aleady described how it was made.

I called Mark Sandstrom who was here at San Diego Federal. He had been a lawyer in the state public works department and then had been Gordon Luce's assistant when Gordon was secretary of Business and Transportation. When Gordon came down here, he brought Mark with him. Mark is now executive vice-president for legal affairs at the bank. So I called him and I said, "Let me describe what I want," and I described a person--he's got to be a good lawyer, he's got to be tenacious, he's got to be a can-do type, and he's got to be this and that, this and that, this and that. "Who do we have down in those hundred and twenty five lawyers in the department that fits that?" He said, "I know just the guy, Ron Zumbrun."

So then I checked around with my secretary and Jim Moe's secretary and some of the others and I said, "Of all of these analysts that we've got, which ones--check around and find the ones with the reputation for these kinds of things, and are gutsy and everything like that." They came back with two names, Jack Svahn and Carl Williams. In discussions with them we pretty well decided on Jack Svahn.

So I called in Ron Zumbrun off of his vacation. I remember he was trying to grow a beard or something at the time--and he came in and he had never been in the chief deputy director's office before. He didn't even know where it was. He had two hundred wins in cases that he was involved in in court.

Morris: For the department?

Carleson: Yes, they did trial work. They were so independent that the attorney general did not do trial work like they did for other departments. It was done by the department. I described this suicide mission we were on and asked him if he wanted to join the team and he said yes. I called Jack Svahn in in a similar way, and so the three of us and one secretary that we recruited from our office, we got a little room with no sign on it down the hall and we went into that room, the four of us. I would come out about six o'clock at night. We had taken all of my incoming mail, and I had just hired an administrative assistant. He and Jim Moe's administrative assistant who was a guy by the name of Bob Best, they scattered my work--

Morris: Amongst them.

Carleson: Some stuff that required decisions just went directly to Jim Moe instead of going to me. Other things went to another deputy or two in the department.

Morris: Did you have to go to Moe and say, "The governor wants me to do this full time," or had the governor already had the agency secretaries--?

Carleson: I think Jim Hall had probably already talked to him. Jim Hall was agency secretary at the time. In fact, I found out later that Hall was trying to decide which of the two it was going to be, Jim Moe or me.

Morris: Maybe Moe lobbied for it to be you instead of him.

Carleson: I don't know; if they'd asked me, I would have lobbied the same way, I mean that it would be him. But anyway, in any event, the people in the Reagan administration were extremely loyal to the governor, I mean personally. I mean if he wanted something, nobody ever in my experience there--if he wanted it, that was it, not just because he was the governor but it was his personality.

Morris: Was there any sense among the four of you that this was a suicide mission, that you might each do your own thing to avoid the flack?

Carleson: No; as far as the suicide, I'm not sure. I just described it as we were going to take on the insoluble problem. You've got to understand, the conventional wisdom in those days was it could not be solved.

Observations of the Welfare Bureaucracy

Morris: Had you had any contact with welfare on the local level in your various city manager jobs?

Carleson: In a general way I had. I mean I was active on several committees of the United Way, where we would review for the Los Angeles metropolitan area groups that wanted funding and that kind of thing, but not in the public welfare way. We were picked specifically because we didn't have that direct experience because everybody they had picked who had during the first four years to do this apparently hadn't gotten the job done.

Morris: Yes, there is a whole chronology--

Carleson: I found out why later on. County welfare directors were the powerful group that were very proud of the fact they could grind down and bring to heel any state welfare director who was appointed. That bureaucracy over there was just like the highway division only slightly different. Over there, if you weren't a master of social work, you didn't have wings. It was exactly the

same as the Division of Highways, unless you were a registered civil engineer.

I characterized the way they would handle a new director one of two ways, either the "flower" or the direct opposition. The "flower" is when you walk in and everybody says, "My god, are we glad to see you. You are a breath of fresh air and there are a lot of changes that have to be made and, boy, we're sure glad," and all that. Then they come to you with all of these suggestions for changes that sound tough and sound good from our point of view. Then you proceed to recommend them and then they blow up in your face. They turn out to be old dogs that won't work, that bring in ten crippled people in wheelchairs who start protesting, and that's the overkill thing that evolves from a "flower".

The other one is if you resist that and say, "No, we are going to do it this way," and you tell them what you want done in general terms, they will then follow you right to the letter exactly what you said you wanted done. They will write the regulation or the statute to do exactly what you said you wanted, and then that would blow up in your face because it would turn out that it was illegal, you just did something that you couldn't do under federal law, and the whole thing would fall apart. So this is what would happen to people. So I decided that we would do this differently.

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Morris: Can you explain your way of handling the problem?

Carleson: It's hard to explain. It's in the process. For instance, one of the assignments I gave Jack Svahn--nobody knew who we were or what we were doing--so one of the assignments I gave Jack Svahn was to go to the next meeting in Sacramento of the county welfare directors where Bob Martin was going to be speaking or making a presentation or something.

Morris: He was still the director of Social Welfare at that point?

Carleson: Oh, yes; and to observe. So he sat there and he came back with a report. He said it was awful. He said, these people, there were two hundred of them and they were harassing Martin and they were catcalling him and they were this and they were that. He said he got talking to a couple of them and they said, "Oh, well, we can handle any welfare director that comes along," and they didn't know who they were talking to.

Morris: Did Martin know that the governor had asked this group--?

Carleson: Oh, yes; oh, Martin was a real nice guy and he was very

cooperative. He was swamped. He had only been on a year and he was very cooperative, but we practically never went to the department. We didn't go in and get briefings from people, we didn't want any of that. We went to the department and talked to Bob Martin and to Chuck Hobbs, who was his chief deputy, but we didn't go for briefings. He wanted to give us briefings. He wanted to set up briefings on all of the elements of the department and the subjects and have the various deputies and other top bureaucrats bring us up to speed on where everything was. I said, "No; maybe later, but not now."

Reviewing Existing Statutes and Regulations

Carleson: What I wanted to do is to get more knowledgeable, or as knowledgeable as their top experts were, in what the law really said; federal law, state law, and the regulations and everything like that. In any event, the bottom line is that we worked on this stuff. Jack and Ron would do most of the general reading, and then they would come up with things that looked like it might have some pay dirt and then I would take it and read it, read the statutes, read the law, and find out where the good stuff was, and then sometimes I would find some more loopholes in it.

Morris: The good stuff being the things--

Carleson: The good stuff being this, that to my shock and amazement--I am a professional public administrator--welfare law had been written in such a way that in years back, until recently, there was a welfare board of some kind that made welfare policy. Then during the [Edmund G., Sr.] Brown administration they had passed a law that did away with the board as a policy-making body. It was simply advisory at best, and the director of the department became the complete policymaker. It's the most fantastic section I have ever seen in state law that said that he had the sole power to interpret, make clear, whatever, state welfare law. I mean he had the authority that sounded like the kind of authority you give to courts.

Tremendous power was given by the legislature to the state welfare director to adopt regulations which related to eligibility for welfare and everything else. The assumption was that usually, in those administrations, the welfare director was much more liberal than the legislature was so that the legislation did not have an awful lot of the detailed stuff. They had a lot of eligibility requirements that they were required to do by law, but most of it was by regulation.

So I found that what had happened is that in a systematic way, any kind of state statute that related to welfare eligibility, if you could stretch the interpretation to make it broader, if the regulations were stretched to make it broader, if there were regulations that related to verifying things or keeping a tight rein, if there was a way to interpret it in the most lax sense, that's the way the department regulation was written. Of course, if you got briefed you were never told. You were always told that the regulation was simply implementing the statute.

Morris: And the regulations were written by department people?

Carleson: Oh, the regulations were written by the state welfare department, yes. We found all kinds of places where you could simply rewrite the regulation to match the statute and close tremendous loopholes where welfare money was going to people who didn't need it, frankly. So that's the state law versus the state regulation.

The other question was state statutes and regulations versus the federal law and regulations. So we had to get familiar with the governing federal laws. This was mainly AFDC [Aid to Families with Dependent Children]. Some of it was the precursor to the SSI [Supplemental Security Income] program which is the aid to the aged, blind and disabled; but most of what we did was in AFDC and in the disabled area. In the disabled area, the big problem was that in Haight-Ashbury and all of the other similar places, some friendly doctor would sign that somebody was emotionally incapable of working and they would immediately be declared permanently and totally disabled.

Morris: You found this was centered in the Haight-Ashbury section of San Francisco?

Carleson: Well, that's where it was <u>most</u> abused. I mean that's where it was really routine. We found all kinds of things. Anyway, the thing was that we pored through this stuff and found vast areas where regulations could be changed to tighten things up, lesser areas where the statutes could be changed to tighten those up and still be consistent with federal law, because we found that a lot of the statutory stuff had been sold in the legislature that it was required by federal law.

Morris: And it wasn't necessarily--?

Carleson: No, they had done the same thing--the father of most of that was Phil Burton when he was in the state legislature and was handling the welfare stuff. So an awful lot of the state law, which had been sold on the basis that it was required by federal law, had been done just like state regulations. They had taken an element

of the federal regulation and stretched it as far as they could. It was all a cooperative effort because the people in HEW, who were in the same fraternity, believed in expanding things, so they weren't going to call the state on expansions of eligibilty.

Ethos of Social Workers and City Managers

Morris: What sense did you get of why they were interested in expanding the eligibility and coverage and things like that?

Carleson: When I was home during this period, I was looking in the encyclopedia and was looking for something completely different, and I stumbled across the citation on social work. I looked in there and I saw the code of ethics of the social worker. I read this code of ethics and the code of ethics of the social worker is loaded with things like "it's your duty to help with the needy or the poor or whatever the terms was, individually and collectively through policies"—very broad.* That's why the word they use is "clients" when they talk about a welfare recipient.

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* Although a check of professional social workers indicates that they have no formal code of ethics, the article "social service" in Encyclopedia Brittanica (1973 ed.) notes that "many definitions of social casework have followed since it was first defined by Mary Richmond in 1915 and have clarified the meaning of casework as a complex helping and problem-solving process... all contain certain essential ingredients: (1) the social worker's commitment to the worth of the individual and his belief in man's capacity for growth and change; (2) the artistic use of knowledge in a professional relationship in which the individual is helped to cope more effectively with his problems; and (3) effective use in the problem-solving endeavor of all relevant resources within the social environment and within the person seeking help...

"Early concern with broad social reform and later emphasis upon individual treatment are more and more becoming fused to induce social as well as individual change, to prevent social problems as well as to alleviate their end results, to affect the destiny of large population groups as well as to help individuals and families and small groups."

It was quite clear to me that, if you swore to the ethics of a social worker as a lawyer would swear to his or accountant to his, that what they really believed was that they were representing the people who came in the door. They weren't representing the people who were paying the bill or who were running the department. I'm not knocking it, [laughs] but the thing is that just like in the highway programs, whether it was the California department or the federal department, the engineers were running the highway program nationally and within the state. In the welfare program, it was the same thing. The social workers were running the welfare programs.

On top of that, the other problem with a social worker is that--the analogy would be the hospitals. As you know, for many millennia the hospitals were run by doctors until they found out that because a hospital, even if it is nonprofit--there are still financial problems, and doctors are just not very good at running things. So they created the whole profession of hospital administration. Today, of course, all hospitals are run really by hospital administrators who are not doctors. The chief of staff, the surgeons, and the doctors make medical decisions, but the management, the running of the hospital, are people that have been trained as hospital administrators.

Morris: Not necessarily as medical people?

Carleson: Oh, not only not necessarily; they just aren't.

Morris: But they have the problem of working with and I would think being influenced by doctors.

Carleson: Oh, yes, but what I am saying is that point. It's like when the city manager profession first started, the city would look around and decide it was going to have a city manager. They would look around and find out who in their department heads had been to college and whatever, and it was usually the city engineer. So, usually, city managers in the first thirty or forty years of city management were engineers. I was in the first generation of the generalists who became city managers.

Morris: What is the--is the "ethos" the right word? What is the guiding principle for city managers as professionals?

Carleson: It is first of all that he is a generalist. He is not an engineer or a lawyer or he is not a recreation director or a fire chief or a police chief. He doesn't come up through one of the specialties. He is usually a generalist. I was in the first generation of people who were administrative assistants to city managers and then assistant city managers and then a city manager rather than coming up through a functional area or something like that.

Shift from Service Programs to Fiscal Operations; Eligibility Concerns

Carleson: So the other problem was that welfare traditionally was social services. The old welfare departments in counties and in the states, their main function was to provide services to people, which is what social workers are trained to do.

Morris: Rather than in terms of large groups administrating--

Carleson: --the money. It wasn't money, it was services is my point; welfare up until the thirties or the forties was not money. You gave people services. You helped them. You did this and you did that or you might get food for them or you might get clothing for them, but it wasn't money; it was services. Then when the AFDC program and other programs--when the federal government got into it, then the federal government, of course, deals with money. They don't deal in services, and so they either give you money to buy services or they give you money to give to people. So the welfare system switched from being a services program to being a huge fiscal operation.

What I had to do--what our department was responsible for doing--was we had a million and a half people in AFDC, something like that, and if you average three people per case, that is at least 500,000 checks going out every two weeks. And they had to be right, and conditions changed--children leave, children come, people get work, people leave work, husbands leave, husbands come back.

Morris: You get sick, you get well.

Carleson: Things are happening out there all of the time and a check is changing all of the time or stopping or starting or whatever and so forth. So it is a tremendous fiscal management job.

Eligibility--another thing about social work is because you are dealing in services, there would be a lot of discretion given to the worker, to the hands-on person: Does this person need it or don't they need it or what do they need? So it was a professional-discretion decision that's made. You can't do that with money; they were trying to do it with money. Then the Welfare Rights Organization started and all of the other groups started, what a social worker would call discretion, they would call discrimination. So if you determine these people need it, but these people don't--the welfare rights groups in those legal attacks in the courts and everything were forcing it, probably correctly, into you either have a legal right to it or you don't. Of course, they wouldn't say "don't." They'd say, "You have a

legal right to it."

So what they were doing, and by the way, this is what was wrong with the loose laws and regulations. The laws were written loosely for two reasons. One is to expand, have more people, help in more things, do more things for people. That was their ethos so to speak.

The other thing was they were loaded with ambiguities in areas for discretion. Every time a court decision would come down, the court and the judge would look at this and say, "Mrs. Jones here would be eligible under this regulation, so how do you turn her down?" So you have got to put her on. So the courts were forcing eligibility at the highest end of the discretionary spectrum. That's the other thing that was wrong with these loose regulations.

So really the combination of the fact that it was a money program and the courts and others were demanding that you had to be specific—if you turned somebody down, you had to have a rule or a law to say that their income is too high or they have too many children or they don't have enough children or whatever. So the function changed from being a social-services function to being a green-eyeshade function. I mean it in its finest sense, to make sure that the person who is eligible <u>does</u> get what he or she is eligible for.

Morris: And keep track of a lot of people and a lot of money.

Carleson: A lot of money. There aren't insurance companies, banks, or anybody that function with that size of a program, from a management standpoint.

Morris: When did you guys begin to get back together, you and Hutchinson and Fielder and Mayfield?

Carleson: From time to time we would have a meeting and I would report on what we were doing and they would report on how their interviews were coming.

Morris: Is this what I have heard described as "the group at Posey's" that you used to get together for lunch and plan welfare strategy?

Carleson: In welfare? Have you heard of a group at Posey's on welfare?

Morris: A group of people that used to meet over at Posey's Restaurant in Sacramento. There was a rumor that this group used to discuss ideas without consulting staff social workers. They put out an orange book and this was supposed to be a secret--

Carleson: The orange book?

Morris: Yes, does that ring any bell with you?

Carleson: There was an orange book that preceded us. I don't know how--it was an orange book that I think Martin had put together that I think he gave us or something. I hate to say it but I don't think there was much in it. It's funny because I hadn't thought about it for years.

Morris: And I am in the business of tracking down rumors, too!

Carleson: Yes, I think if there is a group at Posey's and it's an orange book then that would have been something that Martin was doing, probably with Hobbs, before we got involved; because we got an orange book given to us when we started, and we went through it and we couldn't find much in it that we could use.

Morris: They were working with existing material and statistics.

Carleson: Yes, they were working with their own staff. They were working with their own top bureaucrats. I don't know, I just don't know that.

The Welfare Reform Plan Evolves; Inequities in the System

Morris: What made the governor decide to go public?

Carleson: Okay, what happened next was that all of a sudden the word went out that we had to really expedite--the task force had to expedite and come up with stuff. That was because the budget, to be submitted in January or whenever budgets are submitted, had to be wound up in early December or something. They had a big problem, a big shortfall in revenue projections. All of a sudden a big meeting--by the way, this task force had grown. I had added two professionals. Ned had added a few others, some lawyers and some other people in the stuff he was doing. So all of a sudden there was a meeting called down in a hotel. I think it was some hotel down in Marina del Rey. We found that all of a sudden we had to come up with some specific things--right now.

The three of us had put together--fortunately, we were right on schedule; in fact, we were ahead of our schedule--we had what we called the red book. By the way, the orange book, I guess, was about that thick, I think.

Morris: Three-quarters of an inch or so.

Carleson: Yes. The red book was in a big ring loose-leaf binder and we put together a dozen [copies] of these red books. That red book in effect was the welfare reform plan, the one that finally evolved. Anyway, we came down, and there were all of these different groups that were doing different things. When it came our turn, we got up and we started laying out a bunch of specific changes, of things that could be made, and we put some price tags on them and so forth.

I remember Ned was very reticent about this. I guess it looked too good to be true, I don't know, but he was nervous about whether this was real and whether we could deliver. But that's all they had because the rest of it--

Morris: I gather Ned did follow through on this plan to interview a lot of people.

Carleson: They did that, but they were in the middle of that at this point and they hadn't analyzed it. They didn't have--I think it finally produced a couple of things that we had found out right away, one was that we should go to flat grants. It was the conventional wisdom. What they found was the conventional wisdom of the welfare bureaucracy. [laughs] That's what they found!

Morris: Because they were talking to people who were working in the counties?

Carleson: They were talking to the bureaucracy at all levels.

Morris: They didn't talk to any welfare recipients or city managers?

Carleson: City managers wouldn't have been any help to them.

Morris: P.T.A. ladies or any--?

Carleson: They wouldn't have been any help to them. I don't think they could have talked to anybody. They'd have had to--that's why the interview process didn't excite me too much at the start. But anyway, we had this finite stuff. So what happened--

Morris: Who did your numbers? Did you have somebody from the Department of Finance?

Carleson: Let's see. I'm trying to remember where we--no, we didn't have good numbers at that time. We had just rough--very rough--stuff at that time because we weren't looking for money. We were looking the other way around. My approach was to do what's right. In other words, any time we would find a policy that we felt was wrong--in other words, money was going to people who

were not in need—that was the criterion. Is it going to people who are not in need? I wouldn't care whether it was a dollar or a hundred million dollars. My instructions to Jack and to Ron were, "We are going to develop a welfare system to direct a finite amount of money to those who need it the most and don't worry about anything to do with money or how big or how little or anything." It's just how would we develop a model welfare system if we were given a couple of billion dollars to spend and were told to make sure it went to the people who needed it the most.

I got ahead of myself, because during this process I found out that there was not only this horrible situation that the governor had described, but to my shock, I found out that the families on AFDC had not had a benefit increase since 1958, and this was '70-'71. And I don't mean a real increase; I mean they hadn't even had a cost of living increase since the Knight administration. All eight years of the Brown administration there were no increases.

In other words, there was a tremendous growth in the rolls. There was a tremendous growth in total expenditures, but if you were an AFDC family, you were getting the same thing in 1970--$221 for a family of four--that you were getting in 1958.

Morris: And that, you felt, was inequitable.

Carleson: Oh, yes, it was bad. I figured it was part of the problem. I went back to an analogy in my city manager days. If you have an unrealistically low speed limit on a street--it's a twenty-mile zone when everything else is such that everybody can go forty--but you persist in putting that speed limit there, what will happen is that everybody will end up driving thirty or thirty-five miles an hour or forty or forty-five miles an hour with impunity. The police won't enforce it. The traffic all goes in a flow and that's that. It really should be thirty-five miles an hour to be safe. You can move it to thirty-five and then enforce it and then people won't be going forty.

So one of the things wrong was that the benefits were too low and people really couldn't make it on those benefits, so the whole system was looking the other way.

Morris: Does that analogy continue, [that] if people who are in difficulties have the benefits too low, they will look for other ways to pick up some more benefits?

Carleson: Yes, cheating—people who earn money and don't report it, the whole thing, or somebody comes in and they are technically ineligible, but the worker tells them how to get on anyway; by ineligible means they have a job and they have some income but they need more. So the whole system--and I am not saying that

was the only reason--but the district attorneys weren't going to prosecute welfare fraud and go before a judge when this person was only getting $221 and they needed more money. That was one of the reasons I thought that the whole system was so corrupt. It wasn't corrupt, I guess, in a fine sense, but it was corrupt.

Morris: Distorted.

Carleson: Plus it wasn't fair because, just like the analogy of the traffic sign, you get somebody who is a law-abiding citizen and it says twenty miles an hour and they're not going to drive more than twenty because they don't want to violate the law, and they get run over by the rest of the traffic. So it's not fair. The people on welfare who didn't cheat or didn't fudge or didn't take advantages of loopholes in the system were really hurting, so it's not fair either; plus they were in need.

I am getting ahead of myself, but when I went to see Meese or the governor--I can't remember in my mind whether it was Meese and the governor, Meese without the governor, or what, but I think the governor was there. This was at the end and I said something like, "I have got bad news and good news. The bad news is that all of these things that you told us were not only true, but in addition to that, the welfare families are really hurting. They haven't had a benefit increase in thirteen years and they have to have it." I remember the governor--the governor <u>was</u> there because he said, "Oh, my," because he is a very compassionate man and he said, "Oh, my god, what are we going to do?"

Morris: He hadn't realized this aspect of it before?

Carleson: No, but you've got to remember--later on when we were within days of announcing our welfare reform, it must have been February of '71--Bob Moretti [then speaker of the state assembly], either in an interview or in a press conference was in the paper.* This was in anticipation of some "draconian" welfare cuts that we were supposedly going to recommend. He said something about, "I will oppose; there will not be any cuts in welfare benefits. Of course, we can't support any increases in welfare benefits because there isn't any money, but we are going to oppose any cuts in welfare benefits." See if you can find the newspaper story. I had somebody look one time and they couldn't.

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* See interview with Mr. Moretti in "Legislative-Governor Relations in the Reagan Years," Oral History Program, California State University, Fullerton, 1983.

Carleson: But the thing was, I remember laughing at the time because I knew what our plan was going to propose. He was on the record of no increases in welfare benefits. It was a defensive question. Somebody must have said, "Do you think there should be increases?" He said, "No, we just can't afford increases." So the point was that the conventional wisdom on both sides--I'm sure that most liberal groups were demanding higher benefits, but the trouble is that most of the militant types, the welfare rights, the ones with picket signs and everything, they never made the case that welfare benefits were too low. They were demanding ridiculous benefits. They were demanding six thousand dollars a year for every family, which in those days was worth more than it is now. In other words, their demands were so exorbitant that the only message that was coming through to the governor and to Moretti and everybody else was big numbers.

Anyway, I told him the bad news, but I said, "The good news is I am convinced that there is so much waste in the system that we can bring it under control from a fiscal standpoint and solve that problem, and we are going to have enough money through this to increase the benefits. So we can increase them."

Morris: Did you take your researchers in with you, or was it just you?

Carleson: Just me. I am getting way ahead—

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Projected Budget Savings

Carleson: Then there is a budget meeting with the governor in the cabinet room where they are going to be making some decisions. I remember Verne Orr was there, the Finance director; a lot of people were there. So I was asked to go to that, and it came time for the welfare thing. They had a big number that they needed to plug, so they asked Ned and Ned got up and said, "Let Bob Carleson tell you what he recommends." He actually sidestepped it.

So I got up and we had four things; I can't remember what the four things were, four fairly big things. Remember now, I had approached this all from a standpoint of doing what's right, not from a standpoint of how much money would be involved. So we had a great big, long laundry list of maybe eighty things. So

all of a sudden we had to pull some out of this eighty for immediate use [laughs]. I started trying to look at the ones that would bring the biggest savings and ended up with four of the major kinds of changes we could make. So I got up and they asked me--

Morris: This is major changes in administrative policy, things you didn't need to go to the legislature for?

Carleson: I can't remember. It didn't make any difference at that time whether it was administrative or statutory, because it was not to be done then. It was to be something we knew that if we put it in the budget and if we went for legislation, we could do.

Morris: You wanted it in the budget in anticipation.

Carleson: In anticipation. Remember, the fiscal year started July 1; this was December and we could go to the legislature, so there wasn't any constraint as to whether it was regulatory or statutory.

So I got up, and I can remember they finally said, "How much will you personally commit that this will do?"

Ned is looking at me and Verne Orr and the governor. I said, "I think we can save a hundred million dollars on these four elements." I can remember the feeling I got. I was sure we could, but all of a sudden the responsibility! In any event, they went ahead and plugged a hundred million dollars [savings] for some welfare reforms.

Morris: Cut the item for the welfare department that much?

Carleson: The item was growing so [that] instead of growing by this much it would grow by that much [less]. Eventually, when the budget went to press, I think the revised budget was two hundred and something million [savings] that we projected in there that would come later when our welfare reform package was submitted.

Morris: Do you mean over the long haul projected a couple of years?

Carleson: No, for that fiscal year; for the next fiscal year. It turned out we ended up with a lot more. It all worked. It turned out I was very conservative in all of my numbers.

But 212 is the number I remember. That was a mysterious number in the budget because it was a plug that said we will need 212 less than whatever it would have grown to because of the welfare package that we will put in later.

In any event, that was the little side thing. Then we went back to finish our work. Came time to turn our report in and

Meese, I think, called—I think it was Jim Hall who urged it--Meese called me and said (I guess Ned had made his general report), "I understand you have some additional stuff." I said, "Yes." I came over and I gave him a copy of the red book and said, "We think that this can be used to do a lot of these things." It was just me. That is when I told the governor the bad news and the good news. So I went back to Public Works and felt relieved in starting functioning there again, and somewhere in the recesses of my mind it had occurred to me that somebody may ask me to be the welfare director.

V ADMINISTRATIVE CHANGES IN THE DEPARTMENT OF SOCIAL WELFARE, January-June, 1971

Authority and Management Questions

Morris: You could tell that Mr. [Robert] Martin was on shaky ground?

Carleson: One of the things that I had insisted on when we went into this is I said, "I do not want to be party to an evaluation of the effectiveness of the people who are running the program. I am going to look at policy. Don't ask me whether Martin is doing a good job or [Lucian] Vandegrift"—[who] I think, was the secretary [of the Human Relations Agency] at the time--"is doing a good job. I don't want the assignment of going in to do a personnel review because I want their confidence and I am just going to look at policies."

However, during the task force I found that the biggest problem, the biggest single problem, was that there was not the best of blood between Vandegrift and Martin. In other words, the secretary and the director were not working well together. It wasn't for me to decide whose fault it was, or if it was a fault that they weren't working well together.

Morris: Vandegrift had only come in fairly recently at that point.

Carleson: I am not sure who was most recent. Martin had only been there a year, so I don't know whether Vandegrift was less recent or whatever.

Morris: Vandegrift was only there a year. He came in January of 1970 according to my chart and then Jim Hall took over in January of '71.

Carleson: Yes, but what about Martin?

Morris: I don't have that list. He replaced [John] Montgomery, who was only there a year or two. So Martin was there about the same time as Vandegrift.

Carleson: Yes, it was probably pretty close. In any event, there was that problem. I did very reluctantly--Ned Hutchinson was pressuring me to make a judgment on the management, both of them. I said, "I cannot judge at all on Vandegrift. With the kinds of things I am doing, in no way can I judge what kind of a job he has done. But I have to say this, as far as Bob Martin is concerned, you are probably going to need a change there."

Morris: Because he was primarily traditional social-welfare oriented?

Carleson: No, he was not social welfare. He was an attorney I think in the district attorney's office in Los Angeles, a very good guy and so forth; but frankly I thought he was over his head from a management standpoint in a department of that size and complexity and the problems and everything that went with it.

It's very strange. It's funny, during this whole process I never had in mind or thought that I would ever be doing any of these things. It had been presented in such a sterile way, that we were outsiders to come in and come up with this plan and give it to people so that the people who were going to run the program would have a blueprint; maybe come back and give them some advice from time to time if they said, "What does this really mean?" [laughs] That was what I thought, because I did not want to be in the welfare area. I didn't like the welfare area and I wanted to get back to the more positive side of things.

Morris: The nuts and bolts?

Carleson: No, the more positive; building things and doing things.

Morris: Yes, that's what I meant.

Carleson: Yes, so in any event, if it ever did enter my mind, I knew that the key spot was the director because he had this tremendous authority under the law to issue regulations. That was where you had your hand on the steering wheel or the throttle was in that spot; not the secretary's spot, that spot. The most the secretary could do was advise or urge or encourage or whatever, but the key spot under the law was the director of the department.

But what I did know. I did come to the conclusion that to do all of that, the thing was so hot, was so laden with controversy that you had to have a secretary who was a very unusual person, a person who would defend you in the battles inside the cabinet room and in the governor's office from attacks from the side and

the rear, so you could fight the battles out in front. You would also have to have somebody that could carry your messages in that way and I couldn't see anybody on the horizon. So the only fleeting thought as to "What am I going to say if they want me to be the welfare director?" was no--I wouldn't have accepted it because you needed a very special person as the secretary.

Becoming Department Director; Cabinet Resistance to Welfare Reform

Carleson: One day Jim Hall came in and said, "Bob, let's go take a walk around the block." I was in my office and--

Morris: Your deputy office?

Carleson: Yes, I was off welfare and I was doing my Public Works stuff again. He came in and he was doing his Business and Transportation stuff, which he had been doing all along. He said, "The governor wants me"--Jim Hall--"to be secretary of Human Relations." This had never occurred to me. It never had occured to me that Jim Hall [would] be willing to move from the plum job of Business and Transportation to the worst job of Human Relations with everything that went with it, including the prisons and the health [departments]. We didn't look at the health stuff, see. When he said that, and I have a tremendous respect for Jim Hall personally, we really only met in our respective roles there. Later on, a couple of years later, I was best man at his wedding. But I had a lot of regard for him personally and otherwise.

I said, "Gee whiz, that is great." About all I could say is "that is super." Then in his next breath, he said, "And the governor wants you to be the welfare director!" [laughs] I said, "I guess I'll do it only with the clear understanding that you are going to do the other thing. Personally, that's it."

Morris: You could make up your mind that fast, given different ground rules--?

Carleson: There were two magic words he said; two things. One was that because the governor wanted him to do it, he was willing to move from Business and Transportation to that which I considered to be a massive personal sacrifice, and then he said the governor wanted me to do the other one. So there was no--if he was willing to do that, how could I not do it? But I also felt so confident in him, that had been my concern all along. I might

add, by the way, that during the two years that I was there, the year and a half or so that we were both there together, that he did everything that I--he fought on the inside and he protected me from the back and everything else. It was just a great relationship and he let me run the whole program.

Morris: When you say "protect from the back," were there serious challenges within the cabinet?

Carleson: Oh, I found out later--you may have found it out already--but I found out later that apparently there was a meeting, and maybe more than one, but there was a meeting--this was before I ever got called over to the office of the governor when they were deciding to embark on this welfare thing. I am not sure whether it was before I was brought over or whether it was after, like during that budget period. But it was a meeting I wasn't involved in where virtually every top advisor to the governor recommended against his taking on (quote) "the welfare mess" as a big issue and that only one person, and I presume it was Jim Hall, was urging them to do it and saying that it was necessary. Because the conventional wisdom in those days politically--this is why, it's funny, why later people say, "Ronald Reagan used that as a big political game"--they don't know that in those days the worst thing a governor could possibly do, and it wasn't happening anywhere in the country, was to take on this insoluble mess, because to clean it up, you had to step on so many toes politically and emotionally that it was considered something that every governor should stay away from. I have been told that he just gritted his teeth and said, "It's got to be done and so we're going to do it," which is the way he is.

The way it happens is--and the same thing is happening in the White House--the way it happens is that the people in the governor's office have different responsibilities. The people who deal with the legislature keep the legislature happy, but particularly they have to keep, in this case, the Republicans happy. And the Republicans [in Sacramento] basically were much more liberal or moderate or whatever you want to call it generally than Ronald Reagan was or the Reagan administration was. They were from the old school and lot of them frankly were--you've got to remember the other battle that was going on.

President Nixon's Family Assistance Plan

Carleson: The battle that was going on in welfare was that the Nixon administration and particularly Bob Finch were fighting for that

which would federalize the program, and Reagan was against it. Jack Veneman went back with Finch, and actually Finch really wasn't the one; it was Veneman. Veneman was undersecretary [of HEW] and his number one project was FAP [Family Assistance Plan]. So Veneman, of course, came right out of the brotherhood of the legislature, and he had Bill Bagley, who was his counterpart, who was now chairman of the [Assembly] health and welfare committee. You had Hugh Fluornoy, who really didn't have much of a role to play in this, but he was one of the four freshmen. The fourth one of the four freshmen was Bob Monagan, who at that time was speaker, I think.*

Morris: Right, that two year period in '69 and '70.

Carleson: I think that was a three-year period.** The partnerships were interesting. In fact--remember, I'm not a political type; I had been a manager and I get into this thing and I find out that in Washington you had a strange partnership. You had Jack Veneman and Phil Burton, who were partners on getting this FAP through.

Morris: Really? How did that come about?

Carleson: How did it come about? Burton always considered welfare to be his field when he was in California in the legislature, and in the Congress that was still his interest. You remember the year I was there HR 1, FAP, sailed right through. Wilbur Mills finally got on board, but the number one guy in the House that was pushing for FAP was Burton and, of course, Veneman. So you had the partnership of Veneman and Burton together pushing this thing in Washington.

Morris: Because of their experience in the state legislature, they wanted to unload all of the responsibility for welfare on somebody else?

Carleson: Do you mean why did they decide to federalize? You can read a book on that. A good book is Nixon's Good Deed: Welfare Reform, the best thing I've ever read, by a guy who (I forget his name) is the head of the L.A. Times Washington bureau; he died of

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*See also interviews in this series with William Bagley, Robert Finch, and Robert Monagan.

**Democrat Robert Moretti became speaker in January 1971.

cancer before he could finish the book—Vincent J. Burke [spells name].*

But in any event, I can remember before I was ever introduced to this subject, I was getting a haircut in a barber shop near the capitol and the TV was on and Pat Moynihan, who was then a special assistant to the president in the White House, was on this TV talk show and they had just come out with their FAP the first time around. I wasn't involved at all. I was in highways then. The interviewer was saying, "Why do you think this thing will work?" He said, "We don't know whether it will work, but nothing else has worked and it's better than sitting on our hands and doing nothing."

The conventional wisdom was, they were selling this thing on the basis that welfare was a great big mess. It was insoluble. The states were being crushed by it. Everything was being crushed by it and they all exaggerated--they didn't exaggerate--the problem and, therefore, the only solution is just to get this thing neatly into one place and Washington would clean it all up and make it all work good.

So I think the governor had two missions in trying to make the California welfare system work. One was the most immediate, which was it was a fiscal emergency. He had to bring it under control to survive--for the budget to survive. The other reason was one last effort to prove that the state, even under all of the federal rules and regulations that existed at the time, could do the job. So there was something bigger than just whether or not California welfare reform should go through, whether it would work. We had opposition from that partnership, which was HEW, the Nixon administration, and--

Morris: They were visible in the negotiations in California, in the California legislature?

Carleson: No, they became--it was an ongoing thing. The way it works is this. There were more than four, but the four key people were Veneman and Phil Burton and then Bagley, who dealt with Veneman, and John Burton, who dealt with Phil Burton. So you had these four partners and their mission clearly was to stop our welfare reform any way they could, partly because they disagreed with it, at least as far as the two Burtons were concerned; and as far as

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*Columbia University Press, N.Y., 1974.

Veneman and Bagley were concerned, it would undermine their ability to get FAP through Congress. So there were all kinds of reasons why there was opposition to this and we had it in both parties.

Getting back to the way we got into this subject, these California legislators talked to the governor's legislative representatives and what they were telling them was to the effect that this Carleson is crazy. I mean he is a nice young kid, but he doesn't understand, he doesn't know welfare and this stuff is not going to work; it's not going to work most of it. It's illegal. It would be contrary to federal laws and regulations and it is going to be a great embarrassment to the governor, and don't get out on a limb. That's the way it was done and, of course, these messages came flowing back into the governor's office.

Remember now, the definition of does it work or not is whether it will stop this runaway growth in the rolls. The definition was very clear as to what the problem was. The problem was that the rolls--and you can express that in cost--the rolls were going to grow like this. [gestures a steep upward angle] It became a battle eventually between Alan Post and--I'm getting ahead of myself again.

So we went over there and at the start of the second term he [James Hall] was the secretary and I was the director. By this time, we were well steeped—

Confirmation and Confrontation

Morris: Wait a minute, this is curious. Were you actually acting director or something in January? The date I find is that you were appointed director in February of '71.

Carleson: No, I was officially director January 8, 1971. Now, you may have the date of confirmation by the senate, but it seems to me that was later than February, the confirmation date.

Morris: Did you have a confirmation hearing?

Carleson: Oh, I can tell you the story of that. That's a story, too. Yes, California is different from the federal government. In the federal government you can't serve until you are confirmed, unless you are a recess appointment. In California, you start serving as soon as you are appointed; and if you are not

confirmed, the most you can serve is until the end of that session of the senate which, by the way, is dangerous if you are going to do something. I was sworn in and all of the papers and everything on the eighth of January--I always remember that date, the eighth of January, 1971. Hall was virtually the same time.

All right, when I went over--see, these are two different bureaucracies. One was the highway bureaucracy with a tremendous amount of internal political support. You have to deal with them very carefully in negotiating, reasoning, conciliating, all this kind of stuff. The other one was a completely different kind of bureaucracy and I decided that one, unfortunately, had to be a confrontational type, which I had never done before.

Morris: You decided it had to be confrontation?

Carleson: Right, I knew it had to be confrontational. I had never in my life--all of my jobs as city manager and everything had always been the quiet, conciliatory, working things out, negotiating, getting everybody enthusiastic. But the welfare bureaucracy, which was arm in arm with the welfare-rights groups and politically very close to our greatest political enemies, I mean the Burtons--

Morris: In the legislature.

Carleson: In the legislature; those people. From day one it was confrontational, whether I was confrontational or not. They had been confrontational in dealing with Martin. It's all confrontational. We couldn't work it any other way.

Morris: In what ways were the social-worker bureaucracies arm in arm with the welfare rights organizations? How did that work?

Carleson: Oh, in many ways. The legal people--for instance, I think they had one lawyer over there, an older man who was in the department. Maybe they had two, a young one too, but basically it was an older guy (I forget his name) who, I remember, [laughs] in discussion with either Jack Svahn or one of the others said something about--he said, "You realize I am a socialist and I believe this." And we found out that the people in the attorney general's office that had been assigned over the years to the welfare cases didn't believe in the state's side of the issues. The state was losing cases right and left. They were settling out of court. They were doing all kinds of things. You say "in what ways?" Let me count the ways! [laughter] The social workers are a union. Their actual employee union was very politically active and involved with--

Morris: Their professional association or their--?

Carleson: No, their union of the CSEA, because later on I talked to the other Bob Carlson, and the rest of their union was embarrassed a lot of the time by the actions of that branch of their union. In fact, in most of our efforts, we generally had the state employees, the non-welfare state employees were pretty well with us in everything we'd do. Of course, one of the reasons was they weren't getting any pay increases, and one reason they weren't getting any pay increases was because all of the money was going to welfare. So that particular group was very confrontational.

Taking Charge

Carleson: So what happened was, I selected my basic team. My basic team was Jack Svahn to be one of my assistant directors. I kept Chuck Hobbs on, but I did away with the title of chief deputy director and I made these deputy directors. I made Chuck Hobbs deputy director for operations, I made Ron Zumbrun deputy director for legal affairs, and Jack Svahn an assistant director. I brought over Carl Williams, who was the other young analyst, as an assistant to one of the other people there.

Morris: The same kind of functional idea that you had done in Public Works?

Carleson: Well, the organization at this point wasn't that kind of thing. It was mainly just to get control. Okay, this is what I did. In the CEA law, the career executive assignment had always been used to reach down and get really good people and bring them up into high positions. It was a means by which management could get the people they really wanted. The CEA was clearly to be a policy thing, so the policymaker could get the people he wanted for policy. He wouldn't have to have any reason for doing what he did, but they weren't political appointments; you had to take people who were qualified bureaucrats. So it's an interesting combination. You can only select from the top ranges of civil service, but you can have who you want.

Okay, so I decided to use that the other way and so I--well, I am getting just a little ahead of myself. So what I did was--Bob Martin left and the others left--and so I first sent over Jack and his secretary--Hobbs was still there--I sent Jack and his secretary to the department, and the first thing to do was I wanted the whole seventeenth floor vacated. They're not big. It's a tall building, but the floors aren't that big and that was the top floor.

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Carleson: Our team was going to use the seventeenth floor, and I also said that the secretaries that had worked for the other people were to be transferred to other places in the department. They weren't demoted; they were just transferred. In other words, without any prejudice about it. It was just an organizational thing.

Morris: You wanted some new blood in there.

Carleson: Yes, the flip side of the CEA coin. I still hadn't gone over yet. I had asked Hobbs to prepare this memo, and the first thing I did over there was to sign the memo vacating all of the top CEA deputy-director positions, with one exception and that was Bob Fugina who was the deputy for whatever--management. In other words, he was the non-social worker. So all of these people who had been there for any number of years--I guess there were five or six of them, maybe seven--who were the top deputies for all of the various functional areas, we just exercised the CEA rules and they were out.

Now, out doesn't mean out. Out means they can revert to what they were before, but some of them had been there so long that they were reverted fairly low. But they reverted to their old position, and somebody told me one time that that had the practical effect of changing a hundred and ten peoples' positions, because I guess they would bump people on down the line. Again, there was no prejudice against any of them. They were just all out of there. Their offices had all been on the seventeenth floor.

Then I brought my own people in; Ron Zumbrun for legal affairs, the ones I have already mentioned; we retained Fugina in his deputy position. The message I was trying to send is that we were going to run the department. Then I asked that all of the personnel folders of all of the bureau chiefs and above, which is about a hundred and twenty personnel folders, be sent up to my office. I never did get to look into any of them, but I just had them over in a corner for about three or four weeks and then I sent them back down.

Morris: Did you scare the daylights out of everybody?

Carleson: It wasn't done for any other reason than just to--the first thing they did when I was appointed, practically, is they collected money in their union and they were wearing buttons that had something to do with raising legal defense funds to fight personnel actions and everything else. They were confronting me before I ever confronted them.

Reclassifying and Recruitment

Carleson: The state government had been in two midyear freezes on budgets and hiring and everything because of the fiscal situation. Most of the department's function related to supervising counties' functions, but there was one direct function we had, and that was direct services to the people that were in the communities, because of some laws that related to moving people into the community, the mentally retarded and so forth. So we had this big social-worker piece of our department. It was bigger almost than the rest of it (it had been moved, by the way, over to our department from the Department of Mental Hygiene, because under federal law to get the federal funding it had to be in one department; but later they changed the federal law.)

What had happened was that because of these freezes, we had vacant positions all through the department. What I planned to do was to transfer the social-worker people, as much as I could, from all of the income-maintenance positions--the AFDC, the aged, the blind, and disabled income-maintenance programs, the supervisors and everybody else--and transfer them into the social-work function; which, by the way, had a very positive effect. They got to do social work, and we were helping people in the communities in a area where we were shorthanded.

Morris: These social-work positions were out in the counties rather than in Sacramento?

Carleson: Some were in Sacramento, but most of them were outside. But that wasn't the reason. It was just to get them into places where they were trained for.

Morris: Out of eligibility kinds of things and into--?

Carleson: Social work; that was what they were trained for, yes, or supervising social workers. We had vacant positions, just tremendous numbers of them, because it was such a big organization in relation to the rest of the department. Then when all of the income-maintenance positions became vacant, we reclassified the positions to be more of fiscal-management type skills, which did not preclude social workers. We carefully did not preclude social workers from being eligible for those positions, but we made a lot of other people eligible who had been precluded in the past. It was like those highway engineers. In other words, we were running sections that had to do with getting checks out, and we said we needed people with these skills; if you have social-work management experience, that would qualify you to compete.

So then we made use of the fact that the governor was taking a high profile and that welfare reform was a number one priority. The welfare department had always been the dumping ground. The worst department to work for was this Department of Social Welfare. The good people over in Finance or in General Services or in even the Department of Water Resources or wherever, they wouldn't think of being in the welfare department any more than I had.

Morris: This is on internal state government transfers?

Carleson: Yes, so we started--one of the reasons that I wanted to clean house and clear the floor and have this confrontation was to build up the morale of the non-social workers that were already in the department and also to, in effect, get the message across that the best and brightest who were out in other areas of state government were welcome to come in and take part in a positive, historic change. That was the whole purpose. The price of that, of course, was demoralizing the social workers.

It worked, because we started getting <u>really</u> good people and we were willing to promote--in fact, I brought Bob Best over. He was the administrative assistant to Jim Moe who went on and got a law degree. He had been getting a law degree there in Sacramento. I brought him over-- he had been with the State Personnel Board for a while--and told him, "Your main responsibility is to make sure that everything we do in personnel is exactly correct and legal. Don't let anybody say 'it's the way it has always been done' or, 'it's the way they did it over at this department' and, 'the State Personnel Board always approves this.'" I said, "We will not do it unless we follow every single rule, because we are going to be challenged on everything we do."

So we went through every step. We were challenged many times before the State Personnel Board. We lost only once and we usually won on three-to-two votes. I remember Governor Brown had appointed his secretary [May Layne Davis] as one of the members of the State Personnel Board before he left and the line-up was four-to-one, I think. I think there was only one Reagan appointee or, no, maybe there were two. Anyway, it was at least three-to-two. I forget his name now, but he had been the old city administrator for the City of Los Angeles, Sam something-or-other [Leask], and he was, I think, chairman of the Personnel Board, but he had been a Democratic appointee, maybe even a Brown appointee. I don't remember. We started out, I guess, with three-to-two against us.

I went over and had a long meeting with him where I sort of invoked my fellow city-manager status and told him what we were trying to do, that we were trying to get managers in here and get

hold of this department. So he finally agreed and so we were winning on three-to-two votes; and the only one we lost was one where somebody had, instead of doing it just the way it's written, they had used a model that was used when the Department of Water Resources had their big reduction in force because of their cutbacks in water projects, which had been done without any problem or instance or challenge or whatever. They used the same model and it turned out the model was wrong. It was not quite legal.

By the way, the model was more humane than the law, but it wasn't legal. The model that was used over there that we used as we made all of these personnel changes would let everybody--before anybody moved--let everybody find out where they were going to go. What had been happening was that everybody had to wait because this level makes its choice of where it wants to go; then the next level, when they find out they get bumped, then they get their choice of where they want to go to the next level, and then they wait and find out who gets bumped at that level. Then those people get to make their choice at the next level. So that's a horrible thing for somebody to have to go through, wondering whether you are going to be the one to get hit when they get down to your level. It's just not nice to people.

So we had used that model which, before you made anybody move [laughs] all the way down the line, you did it all at one time and everybody moved together and so everybody knew where they were going to go. But it turns out that the way it's written, you are supposed to go in waves. It takes a number of months to process that and the people in the middle and near the bottom live in fear of being one of the bumps. So we were forced—that shows you though how the other side was simply challenging us on everything we did just to challenge us, because they won on that one and I said, "Okay, let's do it."

In any event, the goal was to reclassify all of these management positions and everything in the income maintenance areas, to bring in people who could manage. We weren't looking for Republicans or Democrats or liberals or conservatives. We were looking for good managers, and we attracted a darn good bureaucracy in there.

Morris: All of whom shared your interest in seeing if we could really do something about--?

Carleson: Oh, I don't know. There were so many of them, I didn't ever meet them all; but the ones I knew were interested in doing a good job. Remember, we would make the policy as to who is eligible and who isn't. They were just managing, to make sure that the checks got out and they got them out in the right amount and that the counties adopted the regulations. They weren't--

Morris: But if they were in Finance or Public Works or Agriculture or wherever, it sounds like they would have to make a positive choice to come to the Department of Social Welfare.

Carleson: Oh, yes, because usually there was a promotion involved, and it was the kind of a thing--we became a new bureaucracy. For a young person in those old bureaucracies, they have to wait a long time in line to move up. People have to retire, those things. We became almost overnight a new bureaucracy. I watched over at Public Works and other places. There are two kinds of bright young people. One are the ones who are afraid to take a risk and they will "stay where I am because I know if I stay in this department"—in Division of Highways, if you left the Division of Highways, don't ever intend to come back. That was the mystique of the organization. It's like the marine corps. [laughs] I mean if you leave, if you go out and try to do something, don't expect to come back. So there were those people who were good and bright, but they were just afraid to take the risk of leaving the womb where there might be eventual, slow promotion.

Now, there were other ones who felt hampered by that and they were willing to come over and take the risk for a better promotional opportunity. Those were the people I wanted anyway, and that's what we got. We got those kind of people. So there was a lot of unsettledness during the first six months to a year at the department, but in the second year it was running like a pretty good machine. Morale was back up again.

Emergency Regulations and Challenges

Morris: Tell me a little bit about the senate confirmation. That came in the middle of this--

Carleson: Yes, what we did is we--that was the personnel stuff and that continued on. At the same time, as soon as we walked in the door, we started issuing regulations. We started our regulatory effort.

Morris: This is the hit-the-ground-running idea.

Carleson: (Yes, we did that in '81 in Washington in welfare. We got our whole welfare package through in '81 that I had been working on for eleven years. That was lost down in the shuffle that was in the omnibus budget reconciliation act.) Anyway, we knew what regulations we wanted to adopt. I had created a small, quiet--it

wasn't secret but it was quiet. I picked about four or five county welfare directors that I felt wanted to do the right thing but had been around for a long time. They were old pros. I asked my friends, the county manager of L.A. County, Art Will, to give me a good guy from his staff, from the CAO's [Chief Administrative Officer] office, and the same [Earl Strathman] from the County of Alameda, to give me a good guy from his office. This whole team of about four or five county welfare directors and these two people from the CAO's offices were a little, informal advisor group.

I told them, I said, "You won't take any of the responsibility for any advice you give. I'll take the responsibility whether I follow it or don't follow it. I just want your brains. Tell us when we are going to do something wrong or when we're doing the right thing and so forth."

Morris: And a link to the counties, too, that would be.

Carleson: Yes, because I wanted to know what effect it would have. We spent four months learning, but four months isn't a long time. So I had this little team that would come in once or twice a week and meet. They would review all of our regulations that we were going to put out or they would suggest different ways of doing it. That was my cross-check on blundering. In other words, this will make good policy but is it manageable, can you handle it, will it work, how much lead time do you need on something like this--those kinds of questions. They might find that, "it's good, we can do it, but we need four weeks' lead time" so the regulation could be out--

Morris: Effective--

Carleson: Yes, that's what I used them for. And they were up on the seventeenth floor. The only people on the seventeenth floor were part of our team and so the rest of the department--

The other thing I decided to do was, we were truly in a fiscal emergency in the state government. We were in a freeze and so forth and I checked with our lawyers. So all of our regulations went out as emergency regulations, which meant they were effective immediately rather than through the normal process of proposed regulations where you have the comment period and then you adopt the final regulation.

Morris: Why is there so much controversy about the numbers? In reading the press reports and the articles hither, thither and yon--

Carleson: About the rolls?

Morris: About the number of people on the welfare rolls and about the

cost savings--

Carleson: Okay, I'll tell you that in a minute. I just want to get off this one thing. We had found that the way the welfare-rights groups and their lawyers would operate is you would put out your proposed regulation. First of all, one of the reasons we kept it secret about what we were doing on the seventeenth floor is that we didn't want the lawyers on the other side to know what we were going to do, because if they got word--the old system was that somebody would work on regulations (you asked how the bureaucracy co-operates with the welfare rights, this was another way)--they would leak a regulation to them and all of a sudden the poor old welfare director would find himself with a temporary restraining order from issuing the regulation. Some court somewhere would issue in anticipation of a regulation.

The other technique they would use is when you would put the regulation out for comment in the normal process, they would go to court, and you can get a TRO to stop an action, but you can't get a TRO to reverse an action. So if you announced a proposed reg, it's not hard to get a TRO, especially when you have friendly judges; and they really judge-shopped. I mean there was only a certain number of judges they went to--[William] Gallagher particularly in Sacramento and a couple of others. There was one over in San Francisco.

So the reason I went with emergency regs was, one, that it was an emergency, so we never had any problem in court on whether or not--I mean we won everything that had to do with challenging that it was an emergency reg when it should have been the normal process. And once you put your reg out on emergency, it was enforced. So they couldn't get a temporary restraining order to stop it. All they could do is challenge it in court, but while the challenge is going on, it's going forward. So that was the reason for the secrecy and that was the reason for this little group of trustworthy county welfare directors and the reason for going the emergency regs, in addition to getting them implemented right away, which we had to do. So we did hit the ground running.

Numbers Debate on Reform Proposals

Carleson: Now, getting to the numbers, there was a good article--actually it wasn't a bad article, it was written by somebody named Levy.* He may have been at Berkeley at one time, but he was with the Urban Institute. It was a few years ago and it was an analysis of implementation of the California welfare reform, but the title gives it away, because he said the Welfare Reform Act, and that's where he made his mistake and that's where most of the people make their mistakes.

The welfare reform started January 8, 1971. Okay, the Welfare Reform Act, which was merely--and I don't mean to downplay it--was merely the legislative portion of the welfare reform package. The welfare reform package consisted of regulatory changes, administrative changes, management changes, legislative changes, and so forth. It [the Act] was the legislative portion.

The function of the legislative portion was to do two things: one, to change some laws that related to eligibility and so forth that we couldn't change by regulation. But the second main purpose of the Welfare Reform Act was to put into statutory form a lot of the things we were doing by regulation so that an ensuing administration couldn't reverse what we were doing without going through legislation. So the Welfare Reform Act's primary goal was to enact in statute a lot of the things we were doing by regulation.

Morris: Administrative changes you made during the first six months of 1971.

Carleson: In addition, there were some other things that were to change that we couldn't change. So we were making big headway in the first few months. The rolls went up in February and they went up in March. By the way, all of the experts--liberal, conservative, all of the experts had projected them going up under both good and bad economic conditions. Under good economic conditions, Alan Post had them going up like this [steep gesture] and under bad economic he had them going up like that [less steep gesture]. If you want to look at his [Legislative Analyst] report on our budget, for the spring--I think it was February or whatever it was--of 1971, there is a section in there with a chart which will show where they were arguing against that $212 million that we said that we were going to save. They were saying, "No way, that

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*"What Ronald Reagan Can Teach the U.S. About Welfare Reform," Frank Levy, The Urban Institute, 1977.

just won't happen. It can't because under the best economic [conditions], it will go like this; under the bad economic, it will go like this." That's important to remember because one of the things they'll say later is, "actually the economy improved." Another thing they'll say is, "there was a decline in the birth rate because of the abortion law."

Morris: The Bielenson Act, yes.

Carleson: I said, "Look, when the Bielenson Act took place [1967], I think it was effective three years before our welfare reform"--three years, two or three years. All of a sudden, family size changed in one month, because the rolls had been steadily progressing, and it was April of 1971 when the rolls went down for the first time. I held my breath for two months. They went down again in May, June, July. They went down for eight straight months. We broke all records for reduction in the rolls.

Then the Welfare Reform Act was enacted in August [1971] and took effect on October 1. Many parts of it, by the way, were held up.* The key part of it was held up by a California Supreme Court action at the last minute, the biggest part, which we later won on at the U.S. Supreme Court. So a lot of it wasn't even implemented as early as October 1. The major one, because of the court actions, didn't take effect until March or something of the next year. So I think we went down about 180,000 people during that eight-month period before late '71, and the rest is all numbers. It depends on when you want to start, if you want to start in April '71 or whether you start in October '71 or November.

Now, what he did in the article was try to evaluate Ronald Reagan's Welfare Reform Act. Levy concluded that it really couldn't have been Ronald Reagan's Welfare Reform Act that did these things because the rolls were already going down for six or eight months before it even became effective. But he didn't look--he was from the East or something--he didn't look into the fact of what we were doing--

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*See Appendix: "Welfare Reform Act Comes Under Heavy Attack in State and Federal Courts", California Journal, October 1971.

Morris: The previous year.

Carleson: Yes, and then that changes all of the numbers because, first of all, they take the 180,000 people out of the down side and the other number, which shows the difference in growth. So that is the key--that is the key--element to the question about the numbers. The other element is that, remember, we did more than I ever thought we would do. I never expected to reduce the rolls. All we were trying to do is avoid the growth. Using an extrapolation of the Alan Post numbers alone, during that one year period, there was to be between a range of four to six hundred thousand more people added to the rolls. Okay, see, they leave that out now when they talk about our numbers. We avoided that four to six hundred thousand growth in addition to the actual reduction. So if you avoid four thousand of growth and you get a two hundred thousand reduction, that's a six hundred thousand person difference.

So because we were so successful, everybody started focussing on how it was going down, not the up trend that we had avoided. So, as I have said, the definition of the problem was clearly set.

The debates of February, March, and April of 1971 before the legislature and everywhere were a debate over whether the rolls were going to go up like this or whether they were going to go up like that [changes angle of hand]. We were saying we were going to have a moderate growth. They were saying, "No way, there is no way you can make any changes that are going to cause that. It's going to be here."

Well, instead of the moderate growth, we actually had a reduction. Somebody said "the economy." I went back ten or twelve years and I found out that in those ten or twelve years, most--six years--the economy was booming, and in every one of those ten or twelve years the rolls always went up. It never had matched the economy. In fact, I said, "Look, I don't think we did that good a job." If we had done a perfect job, the rolls will fluctuate with the economy. That is what they were supposed to do, but they never have. I said, "I don't even claim that we did that good a job, that they will fluctuate with the economy."

But the birth-rate thing, they went back on the abortion bill, which is nice in 1980, '82, and '83 to talk about this because people don't start putting the actual benchmark years in. Now, there was a significant reduction in family size that took place over a very short period of time--a very short period—not over the nine-month gestation period of a child. I am convinced—I have no proof because there is no way to measure it--but I am convinced that a lot of that related to once they

Carleson: found out we were checking and we were verifying—see, a lot of those regulations related to changing eligibility requirements, but there were as many of them that required checking and verification and that kind of stuff; management changes.

I am convinced that once the word got out that we were starting to check and we were starting to verify and we were moving off of the virtual honor system, that people started reporting their children more correctly. Your welfare benefit--clearly the size depends on how many children are in there, and if a child has left and gone to school or left and gone to work or just plain left and hasn't been reported as leaving, the benefit's there. There are a lot of other ways. We started checking schools nearby. If they had three kids, six, eight, and ten, check the schools and see if those three kids are enrolled there. We started doing this kind of checking. Okay, so there was a significant reduction in family size over a relatively short period of time, and I would attribute that more to paper children than I would to any kind of an abrupt decline in the birth rate.

By the way, the other thing about the birth rate, if you forget about the abortion thing, I went back on the abortion question; and the birth rate had been declining for, I think, ten or twelve years steadily, but the rolls were always going up. So forget about abortion, just talking about birth rate, the birth rates had always been declining and the rolls were always going up. The economy [was] on a general booming trend, the rolls always went up. If all of a sudden we would get our rolls to respond to the birth rate and to the economy, I would call that the best job you can possibly do. I didn't even claim we did that.

So the other thing they do is they will ignore the savings from projections, the four to six hundred thousand that didn't come on, so they will start with your roll reduction number. They will then start with the later date, which is October, and so now we start with a smaller number of base roll reduction. Then they will compute a number based on a decline in the birth rate. Well, a decline in the birth rate would account for ten thousand of those or twenty, whatever, I can't remember my numbers now. They would say that the economy was booming and that would account for another one and then they conclude that, yes, it was an achievement because there was really an actual reduction of about twenty or thirty thousand people in the case load, but it was nowhere near the real number which would have included the new cases avoided as well as the reductions in 1971 from the management changes.

VI LEGISLATIVE BATTLE OVER WELFARE REFORM, MARCH-AUGUST, 1971

[Date of Interview: May 5, 1983]##

Regulatory or Statutory Changes and Questions of Cost Projections

Morris: [At the end of our last interview] we had just gotten to the negotiations in the legislature.

Carleson: I think I had just told you about the Operation Crossfire. Have you heard it from anybody else since?

Morris: Not really.

Carleson: What it was, was that when the governor announced the thing [welfare reform plan] March 3rd [1971] in his message to the legislature, that was everything. That included the administrative, the regulatory, and the legislative part. Then we prepared the bills, and the bills went to the Senate Health and Welfare Committee. Tony Beilenson was the chairman of that.* The legislative activity really consisted of two separate elements and phases. The first one was the budget. Did we cover any of that?

Morris: Just a bit.

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*See Anthony C. Beilenson, "Securing Liberal Legislation During the Reagan Administration," Oral History Program, University of California, Los Angeles, 1982.

Carleson: Because the budget had to come out whenever it was, January or late February. It came out, and it had what now at the federal level we call a plug in it. I think, if I remember, it was around two hundred twenty million dollars. It's hard to shift back to millions. But anyway, I think it was two hundred twenty million or something like that, for welfare reforms, for AFDC [Aid to Families with Dependent Children] reforms, which would follow later.

Morris: This was two hundred twenty million in savings.

Carleson: In savings. In other words, we were unusual in that I was going forward with a budget for the welfare department where I wanted less money than the legislature wanted to give us. In effect, we were saying that we were not going to need, I think it was on the order of two twenty.

So that became a very controversial thing. Some of that [what we said we could save] was [by] legislative [changes], and some was by regulation [changes]. I think one twenty was by regulation, and the rest was by legislation or otherwise.

The budget-savings debate reached the legislature first. My first exposure was John Burton's subcommittee of the [Assembly] Ways and Means Committee, where I was trying to describe what generally we were going to do. He wouldn't have anything of any kind of--I came with slides and with display things and with charts and stuff. He just interrupted, and there were going to be no charts. He just had a bunch of questions. We just kept going around in circles. He kept trying to get me to say how much of it could we do simply by regulation, how much by legislation. Because in the blue book--you know the blue book?*

Morris: Your advance report--

Carleson: When the governor gave his speech, we put it out in this publication with all the appendix stuff. This in effect was what we handed out at the time he gave his speech on the 3rd of March.

Morris: Okay, yes.

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*Meeting the Challenge, A Responsible Plan for Welfare and Medi-Cal Reform, transmitted to the legislature, March 3, 1971. Includes remarks by Governor Reagan to Town Meeting gather ing in Los Angeles. Published with a blue cover.

Carleson: In this thing there was a famous last chart. I think it was H, if I remember after all these years. These were the listings of the specific things we were going to do. Then over here, these columns were the columns relating to whether it was by regulation or legislation. So the dispute with Burton was over this stuff here.

Morris: He thought you should do more by legislation?

Carleson: First of all, they didn't think this stuff was going to work. They didn't think it was going to work. In effect, he said, "How much can you do by regulation alone? You don't need legislation. So if we don't do anything by legislation, how much can you do by regulation?" He would want to total all this stuff up by regulation.

Morris: In relation to your figures.

Carleson: Yes. Then he would want to cut--he was trying to get me to agree that the total of all of these columns would be how much we should save without legislation, and therefore we didn't need--we can go out and do that. I tried to explain to him that, even though an item may say by regulation, it may take legislation to enable it to be done. Some of them are a combination of regulation and legislation.

I can remember the hangup on that one column. Basically what he was trying to do was to get me to agree that we could save X million dollars by regulation without legislation, and I would never agree to that.

Then the next level in the budget process was at the--and I might add, at that time Alan Post put out his annual budget analysis. It was a very significant document, because in it he had some charts, and in effect what he was trying to say was that we were underestimating how much we were going to need [to spend]. In effect, he was saying that no matter what we did in these reforms, that they couldn't possibly have the effect we said they were going to have. He gave the history of previous welfare rolls, what they get, in good times, bad times. He had particularly one chart in there where it had two lines for the AFDC unemployed category, which he said, these will be the costs if we have a good economy, like this, and these will be the costs if we have a bad economy. So he said that even if we have the best economy, you're still going to have this kind of growth. I think that's important for later on.

We were saying, "No, it's not going to be that at all. It's going to be a little growth way down here." And I might add, by the way, we were never projecting a reduction in the rolls--we're talking about the rolls now. We predicted a gradual growth rather

than the higher growth that they predicted.

Morris: What was Alan Post basing his figures on that made his curves higher than yours?

Carleson: History. History plus analysis, all of their professional analysis of what was coming, the amount of waste that--they were challenging the savings in these columns over here. The left columns were the numbers of how much we could save, and they were saying that's just not possible, and the rolls are going to go like that [makes a sharp upward curve with his hand].

This is parenthetical, but the reason that's important is because several years later, when people were arguing over whether Ronald Reagan's welfare reforms worked, some of the things the same people were saying was that, well, it was just an improvement in the economy, among other things. We point back to the fact that Post estimated that even with a good economy, there would be this significant--

Morris: Higher number.

Carleson: Very high. Several hundred thousand growth in the welfare rolls.

Joint Budget Committee Hearings

Carleson: So anyway, this thing was a very hot type of sets of hearings, and if you know John Burton at all, you'll know why. Then the budget finally made its way through the normal process. At the end of the process, it gets to both the [Assembly] Ways and Means Committee and the [State Senate] Finance Committee. They held an unusual, I think, an unusual set of hearings, where both committees were combined. They're both big committees, especially Ways and Means. They were in this big hearing room. Both committees--it looked like a row of bleachers there. Randy Collier chaired the joint meeting. Although Willie Brown was the chairman of Ways and Means, Randy Collier was the chairman of the Senate Finance Committee. He chaired it. Normally the Finance director presents the budget. In this instance, on our stuff, which was the controversial stuff, Verne introduced me, Verne Orr, and I then carried the defense of our thing.

Morris: Was that unusual for Mr. Orr to defer to the department?

Carleson: Defer to--Yes. It was the right thing to do. We decided to do that. But it was unusual, because usually they didn't do it that way.

Morris: Had his people gone over your figures, or had you developed your statistics with the Department of Finance people?

Carleson: No, not really. These were our own estimates. That may be one of the reasons that they wanted us to defend them. I don't think that it was that--he didn't disagree with them, but they weren't their figures. They were our figures. It was my own estimating team in the welfare department that figured these out.

The important thing there was that back at the start, when we created the book and we got the estimates, I had inherited an extremely fine professional team of estimators, who were professionals in the department of welfare. To be perfectly frank with you, we made an awful lot of changes in the department when I came in.

Morris: You were telling me about that.

Carleson: But the one unit--one of the units--that was particularly good, and we felt were good, were these professional statisticians and estimators. There was a Chinese American woman. She was not the head of it. She was number two or number three. So when we gave them our new policies that we were going to do, I was very fastidious about letting them make the estimates. In other words, we did not direct the estimates. If, for instance, they would come back with a little tiny number where we knew it was going to be a great big number, we might ask them, "What is it that you interpret our policy change to be?" And they might have misinterpreted it. They'd say, "You're going to do this and this and this." And we'd say, "No, it's this, this, this, and this." Then we'd say go back and estimate it on this policy change, the way it was described. But when they would estimate it, it would be their own numbers. We did not fiddle with those numbers at all.

Morris: Were they using computer models?

Carleson: I'm not sure exactly what they were using. There were about thirteen or fourteen of them. The reason that's sort of important is Post, I think, in effect, had one and a half people in his staff that were involved in preparing his stuff. We had around thirteen or fourteen. These were not political appointees. They were inherited. They were professionals. They were there in the department. I think her name was Yee.

Morris: I'll look in the state roster.

Carleson: Okay. Anyway, what happened was, the question was going to be challenging whose numbers were accurate. I did something sort of unusual. I had them all--I had the whole, all of them, thirteen

or whatever, fourteen of them, come to the hearing and sit in the first two rows. I, in effect, stood back when it got to the question of how the numbers were developed. This isn't the question of the individual items, but how they were instructed, what techniques did they use, estimating techniques. Before that, the committee publicly had said that we certainly weren't going to let them question our estimating people.

I said, "On the contrary, I'm going to let you question our people. They're going to answer their own way." So they started. They didn't question all of them, but the top two or three were the ones who testified. But I had them on display. The woman I mentioned was effective particularly--there was a man who was a very quiet man. In fact, the main thing about his testimony was that he spoke very quietly and they had to keep asking him to speak up. The woman didn't have that problem at all. She was speaking up. She was going through formulas and cards, and I think they wished they hadn't gotten into the area.

But in any event, this went on for probably a couple of hours, I don't know, but I think that that had a lot to do with establishing the credibility of our numbers, at least with the media. Because the hearing was heavily, heavily attended by the media and by everybody else. I think they came off very, very well and convincing. Under repeated questioning, they denied that we had fooled with the numbers, given them specific directions of what to achieve. I had never thought of doing it any other way. That's one lesson that everybody ought to learn and know, is that if they're going to come up with estimates, they better let the pros do it and not fool with them.

In any event, they did a good job. That was the hearing where I was trying to make my statement into the record. I got only a few pages of it. The senator was trying to cut it down or close it down and being very gracious and very polite. John Burton interrupted and again asked me this question that he had been hitting me on in his own subcommittee.

I told him, "Mr. Burton, again I will tell you that the regulatory savings are going to depend to a certain extent on how much of the legislation we get." About that point, he called me a liar. Which might not have been considered too bad over in the ways and means committee, but in the senate was not considered too good. With that, the chairman let me complete my statement, and Burton walked out. But the next day the papers were full of this thing.

In any event, the budget finally was adopted, and as you know, in California you have the line-item veto. So the governor vetoed the money down to the level that we wanted. That was the budget side of it. That was the first part.

Rival Proposed Bills; Overlapping Political Equation

Carleson: The second part, and much of it was going on at the same time, was the legislative package, which was over before the Health and Welfare Committee, chaired by Tony Beilenson. It was sponsored—our main sponsor was Claire Burgener, Senator Claire Burgener, who later went to Congress and now is retired from Congress.

Morris: How had you settled on Mr. Burgener to carry the bill?

Carleson: I don't know exactly. Others made the decision as to who would carry the bill.

Morris: You hadn't been working with him in order to put the package together, with his advice as to what might be passable?

Carleson: No. We put the package together entirely, and then we got our sponsors, or authors, as they call it in California. But he was carrying the bill. They gave us practically—they just gave us short shrift. The hearings were perfunctory. There was no consideration at all of our package. Tony Beilenson had his own package. His package included a lot of new spending and new programs and new things. Because it required spending, in California it requires a two-thirds vote of the senate to get it passed. So what happened was that the Republican senators stuck together, and when Beilenson's bill went to the floor, he couldn't get enough votes, he couldn't get two-thirds, to get his bill out. So the bill was amended by him to eliminate money so it would need only a simple majority and thus was emasculated, down to basically being non-substantive things instead of spending, and in sort of a shell form passed the senate and went to the assembly.

All during this period, we really never had any hearings on the legislation before the assembly welfare committee. That was Bill Bagley. Now, you have to understand that, while all this was going on, the Nixon administration was pushing its Family Assistance Plan for welfare, and the key member of the Nixon administration pushing that was Jack Veneman, who was undersecretary of HEW [and a former California Assemblyman]. His partner in Washington pushing that, of all people, was Phil Burton.

Morris: A bipartisan—

Carleson: So it was bipartisan. The Nixon administration with Veneman of California and the Congress with Phil Burton were the two people who were pushing what was HR 1 or the Nixon Family Assistance

Plan. Each of them had his ally back in the California legislature. Phil Burton had John Burton, and Jack Veneman had Bill Bagley.

Morris: So your feeling is that the debate or nonhearings of the process in California was definitely tied to the bill in Washington?

Carleson: No. When I say nothing was going on in the Bagley committee, I think that was us. I think we introduced these bills in the senate. I didn't mean to imply that there weren't hearings for that reason. I think we had decided to go in the senate. But the point is that Bagley was, as you know, actually appointed as chairman of the committee by Bob Moretti.* Bagley's staff was assigned to him by Moretti and by the Democrats. So Bagley's staff were very, very much on the other side. There's no question about it, his committee staff.

It was frankly in the interest of the Nixon administration and all the people pushing FAP (Veneman, the Burtons, and Bagley) that California not succeed in its welfare reform, because FAP was being pushed primarily as a national solution to a problem that was out of control and that was not soluble at the state level. As I told you last time, the governor had two missions in taking on welfare. One was of course the immediate state financial problem. The second was to demonstrate in the debate on FAP that a state could do the job. So it was not in the interest of those who were for federalizing welfare for our welfare reforms to be adopted or succeed.

I think that it is important to understand the political problems we were facing, because in effect we were facing the partisan Democrats. Our opposition was the partisan Democrats and--

Morris: And the federal Republicans?

Carleson: Yes, let's say the Nixon-administration Republicans. So we had that kind of opposition. The third group--these groups overlapped--would be the people who were philosophically opposed to what we were doing and wanted to go the other direction. The reason I distinguish between the partisan Democrats and philosophical is because quite a few of the Democrats were

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*See interview with Assembly Speaker Moretti by California State University, Fullerton.

probably not philosophically against us, but they were Democrats. Example: Randolph Collier. Some of the northern senators, more rural members of the senate and assembly. I think that's important to the later equation.

Public Reactions; Plans for "Operation Crossfire" Initiative

Carelson: All right. At the same time all of these things were going on, and our bill was not moving, the governor had received a tremendous amount of mail after this speech. He and I and some others did a barnstorm around the state, meeting with editorial boards and others in a plane, and gave briefings all over the state shortly after this came out.

Morris: What kind of response did you get from the newspaper people you talked to?

Carleson: Mixed. The papers that were generally against the governor were saying those things, and the ones that were for him were saying their things. But the outpouring from the public was tremendous. As a result of that, they decided to create a citizen's committee for welfare reform, chaired by Al McCandless, a county supervisor in Riverside County, who by the way is now in Congress.*

Morris: I thought that name sounded familiar.

Carleson: Just recently elected [November 1982]. The California State Chamber of Commerce decided to take on welfare reform as one of its major projects. This committee--it was bipartisan, and it even had a labor leader in it, too--this committee then formed I think over a hundred committees throughout the state and all the geographical areas. These committees ranged from ten people to a couple of hundred people.

Morris: Who in the governor's office coordinated all that committee part of it?

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*Governor Reagan announced formation of the committee on March 30, 1971. McCandless's co-chairman was Neil Papiano, an attorney and member of the Los Angeles welfare planning board.

Carleson: I'm not sure exactly. I'm not sure to what extent it was coordinated by the governor's office. I don't think it was. I think once the committee was appointed, I think it ran on its own.

Morris: I see. The governor appointed the statewide committee, which then encouraged local smaller committees; is that the way it worked?

Carleson: Yes. The chamber was important to this, because the chamber took it on as a project and, just like in a United Way campaign, actually had loaned executives from businesses and others that would act as staff of these various committees around the state. The chamber published thousands, I don't know how many thousands and thousands, of folders that said, "Back Governor Reagan's welfare reform plan," and all the reasons, and then a tear-sheet with little check boxes for various elements of the program, where people could check the boxes, "I want this stuff," and send it to their legislators.

I remember one legislator, one of our supporters, one of our sponsors, said he'd gotten over three thousand himself. So these committees were very active. In some areas they were taking out ads. Up in Randy Collier's area they took out big full-page ads, "Why is Senator Collier holding back welfare reform?" for example, those kinds of ads. Knowing him, he was a pretty conservative Democrat, and this was I'm sure bothering him. As far as I know, this was not coordinated by the governor's office or by the administration.

So it was true that all these cards and letters were coming in; that Bob Moretti is supposed to, as the President [then-governor Reagan] said, have said, "Stop your cards and letters." So this tremendous--

Morris: Moretti said this to Mr. Reagan, "Stop your cards and letters"? I didn't follow that.

Carleson: We haven't got to there yet, but--. I didn't hear it, but there's a dispute in Lou Cannon's book on Reagan.* The governor said that Moretti came down to his office and said, "Stop your cards and letters. Let's negotiate." Moretti says he did something else. But anyway, the fact of the matter is there were--

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*Cannon, Reagan, page 179-181.

Morris: A lot of mail.

Carleson: --hundreds of thousands of cards and letters. So there was this big campaign going on. But nothing was happening; the legislation didn't move, as you know. In fact, some papers that were generally supportive were starting to write editorials that went something like, "Why doesn't the governor compromise on the welfare reform? Because with the legislature, he couldn't possibly expect to get what he wants, so why doesn't he compromise?" I think this is important, because Lou Cannon in his book missed this. He was in Washington at the time. He's learned from people he's talked to. He looks upon the welfare reform as having been the first time that Ronald Reagan actually compromised with the legislature in order to get something through. That really didn't happen that way. There might have been other things later on. But what happened was that [Reagan resisted] the pressure--that he hung tough on his package. The so-called compromises that were offered were not workable. What they were suggesting would have made it impossible to do what we wanted done.

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It was as if you have to build a hundred foot bridge across a river, and they give you ninety per cent of your bridge; that's no compromise. [laughs] If the bridge doesn't cross the river, it won't work. Or if they give you an automobile without the carburetor, it won't work. This thing was intricate enough, and enough of these things were related to each other, that the kinds of things they were talking about would not have worked. Because it wasn't a question of compromising on the amount of dollars and things like that. The point is that he hung tough. Now, even as I say this, some of the papers that were generally supportive couldn't understand why he didn't give in.

The reason was this Operation Crossfire, which we had kept very secret. I've always wondered why it didn't leak out, but it didn't. It was in effect a decision to prepare an initiative which would bypass, of course, the legislature entirely and go to a vote of the people, which would be the entire package. So this initiative was prepared, the actual--

Morris: Signatures and all?

Carleson: No. The document, which was a pretty complicated document, was drawn up and prepared, based on our legislation, and was ready to go. What would have happened is that all of these committees all over the state, which had been formed, staffed and everything, would have been the vehicle by which the petitions would have been circulated in a very short time. The signatures

undoubtedly would have been gathered very quickly, because the public support was tremendous.

Morris: Was there.

Carleson: Was there. And the timing was such that it would have come on the primary election, not the general election. It would have come on the primary election in 1972, which means that the Bagleys, as well as everybody else, would have had to be on the ballot along with that initiative. That's why the primary was important. That meant that those Republicans who were lukewarm or whatever because of the Bagley connection and others would have been having a problem if there were no welfare reform.

In any event, that's why the governor was able to hang tough, because he knew, and we knew, that as soon as it was clear that the legislature had killed it, and it was through and finished, but not before then, then he could come out and campaign, the governor could campaign for this initiative.

I have always theorized, although I don't know this to be the case, that somebody in the governor's office, probably with permission, I assume with permission, but that somebody leaked to Bagley the fact that there was an initiative. Because Bagley was really on the other side. He really was on the other side. That's a theory I have which I don't know to be the case.

Negotiating on the Governor's Turf

Carleson: In any event, these legislators were receiving these tremendous amounts of mail. The more rural Democrats were receiving it in great volume. These ads were being taken out in the papers in their districts. And these ads were the local committees' own actions. Some of them, in fact, I winced when I read them. In any event, here was this pressure that was developing on Moretti and on Beilenson, from their own people, to do something. This is a classic example of the governor going to the people and over the heads of the legislature. It's a classic.

As a result of that, at that time, Bob Moretti came down and, depending on who you want to believe, he said, "Stop, let's negotiate." Moretti tells it differently in the Cannon book. He said, "We really wanted welfare reform all along. We wanted to

clean up the mess, too."* He had some funny stories in there, but in any event, they had opposed reform all along. And I might say this about Bob Moretti: he was an accountant by profession--I personally think, and in fact we found later in the negotiations, that [he thought] most of the stuff was good stuff once it was explained to him by us.

Morris: That he agreed with the numbers you were getting?

Carleson: No. I mean I think that he--when I say accountant, I mean not so much numbers as that accountants and engineers and others tend to be a little more fiscally conservative than other types of professional people. I think that Moretti was the speaker but the people that were fighting us, that were out there emotionally involved, were the Burtons and the Beilensons and those people.

Morris: Is what I'm hearing that once you got into the negotiations, you had the feeling that Moretti became convinced?

Carleson: Right. So anyway, Moretti came down and said that he wanted to negotiate. So there were several decisions we made--I remember one of the things I felt was important and Meese felt was important, was that the negotiation be in the governor's ground, on his turf, in the governor's office. I strongly urged that the governor have it in his office, him presiding, so he could use the paper from which we would negotiate, and that we should negotiate from our bills. Because you remember there were our bills, and then there was the Beilenson bill from before it had been pretty emasculated. And that we should negotiate from our bill.

Morris: In the governor's territory.

Carleson: In the governor's territory. He could convene the meeting and hand out the bills and start negotiating from our bill. I prepared the items. We took the items, and I first went through

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*In an interview with California State University at Fullerton June 3, 1982, Moretti recalled that, "I didn't want a repeat of the previous four years where nothing was accomplished and it was just the legislature baiting the governor and the governor baiting the legislature. I had never been able to see Reagan alone... They finally agreed to do that, and I went in and ... I said ... 'If you really want to do something about welfare reform, then let's sit down and do it and not fight the battle in the media.'" [pp. 171-172].

and took all of our elements and classified them "must have", "should have" or something like that (three degrees) and a throwaway; something we can give up in negotiation.

Morris: Had you written the bills with that in mind, that there would be some negotiations and you should have some throw-away things to help you negotiate?

Carleson: Everything we wrote in the bill, I can say honestly, we felt should be policy and should be law, and so forth. All of it would have been in the initiative. However, we were realistic enough to know that there were certain elements in there that weren't the carburetor, that wasn't the last ten feet of the bridge, that it would work without it. In other words, that they were nice to have, but they were not necessary to make the thing work.

Morris: The air conditioning as opposed to the carburetor?

Carleson: Whatever. So in any event, I had laid that out for him to indicate the degree of importance of these things. The governor personally knew that stuff. He knew it. He knew what every one of those elements was. He sat through, of course, the initial briefing, when we had presented it to him and the decision was made on the items. He'd sat in, had to listen to me going through all of these items at each of these briefings around the state, with the editorial boards--they were bigger than editorial boards; they were press conferences with editorial boards as well as the working press. So he knew. He knew the stuff. I mean, that's important.

Moretti didn't know it at all.

Morreti: Did he have his aides?

Carleson: When we went into the negotiations, in effect what we had was the governor on one side, with me as his principal person. We had with us Ron Zumbrun, who was my deputy for legal affairs. These were the key people on our side. During the first week, the first five days, when the governor and Moretti were present, that was the lineup. Meese was present, but not heavily participating. Jim Hall [human relations agency secretary] was present but not participating. There may have been a couple of others present, I don't remember.

On the other side you had Moretti as the principal negotiator. But you also had Leo McCarthy, Bill Bagley on the other side of the table, John Burton, Tony Beilenson. I'm not sure who else, but those were the principal people on their side.

Of that group, you notice something about that group. They're all legislators. Burton was pretty knowledgeable. Beilenson was pretty knowledgeable. McCarthy was not, but became knowledgeable fairly rapidly. Moretti was not knowledgeable on the elements. There's really no reason for him to have been. He was the speaker.

Morris: I'm curious because of the number of legislative staff people that are--[mentioned in published accounts of this legislation].

Carleson: Okay, now, the legislative staffers, the real experts, were not at the table in that first five days. They were sitting behind them.

Morris: I see. They were there?

Carleson: They were present in the room, yes.

Morris: Not speaking.

Carleson: I can't remember. They might have spoken up or they might have tapped somebody on the shoulder or something. But in any event, we would start out. I had coded the governor's negotiating sheets so that he knew from looking at them what category they were. They were coded so the other side couldn't figure out what they were, which were the musts, and so forth.

Morris: These were marked on the working papers that everybody in the room had?

Carleson: No, they were just on his. They were just little filled-in dots and things like that. Then they started out and just went right down through the bills with each of the items. We'd explain to Moretti what this problem was, what this solution was, and the rationale for it. And frankly, he started agreeing. "That's logical to me." This is what I mean about his being an accountant.

Morris: So that piece by piece it made sense to him as an accountant.

Carleson: Yes. I showed this book to a couple of my very liberal professional friends, like city managers who consider themselves political liberals, and I said, "Read this." This was when it was so hot and so controversial. Everyone that read it said, "So what's wrong with this?"

Morris: This was at the time?

Carleson: This was before we got to the negotiating. I'm just saying that if somebody would sit down and take the Ronald Reagan pages off of it and the political color off of it and look at what we were

saying there and be objective, the things just made sense.

Separate Discussions on Medi-Cal Reform

Morris: Was there any reason for starting with the revisions in the legislation concerning Medi-Cal? That's reported as being the area that the first agreements were reached on.*

Carleson: I had nothing to do with Medi-Cal reform.

Morris: Was that a separate bill?

Carleson: It was all separate. Everything I'm saying has nothing to do with Medi-Cal. What happened is when Earl Brian put together the Medi-Cal stuff, I put together the welfare stuff [at he same time]. In this book, most of it was welfare. Medi-Cal was one chapter, I think. We had eight chapters, and the eighth one was Medi-Cal reform. So the first seven--

Morris: But the work you did and the work Brian did are all contained in the blue book there?

Carleson: Yes. But Brian's work preceded my work. Brian had been director of the Department of Health Care Services, which is the Medi-Cal department, for a year or so before I came in. His package was prepared ahead, and his stuff was done at the start--

Morris: Of these negotiating sessions?

Carleson: No. These were only on welfare reform. Brian was not involved. His was worked out more as Earl Brian and Bob Moretti sessions. There wasn't the same contention over the Medi-Cal stuff.

Morris: That's interesting.

Carleson: Earl Brian had worked with, in his own track was working with Bob Moretti and his staff to negotiate the Medi-Cal stuff.

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*California Journal, July-August, 1971. See also interview with Earl Brian in the series.

Morris: Was his experience of any help to you in working out things in the welfare legislation or the negotiations with Moretti?

Carleson: No. Because ours was confrontational. Our whole thing was confrontational. His was not. His was more normal. His was where you prepare a bill and you go to the legislature and you meet with the key people and you negotiate with them, just like you do on a--. And what can you take, what can you buy, what are you willing to give up. It was more negotiating, more compromising done in that process. Then a Medi-Cal bill was agreed upon. It was normal.

Morris: It was normal. Normal confrontations. [laughs]

Carleson: It was not much of a confrontation. And frankly, I didn't know much about what his was. His was included in the blue book; it was included in the original thing. I learned his stuff like he might have learned mine, because when we went around the state, remember, and I said the governor would have to listen to me go through all mine--

Morris: He was part of the dog and pony show?

Carleson: Yes. And then he'd go through his stuff.

In fact, at one of the early negotiating sessions, maybe the first day, he was there and said something about--I forget what the item was, but he said to Bob Moretti, "Aw, Bob, why don't you give in on this." It was like, why don't we make it eighty. Let's say it was a hundred, and he said, "How about eighty or sixty on this thing?" And he didn't know the issue. That would have been an example of the ninety per cent of a bridge. His negotiating was more on--I guess the Medi-Cal stuff was more that way, where you can take half a loaf or a full loaf or three quarters. Ours was not that kind of stuff at all. In fact, after that we all talked to him, and he didn't get involved any more.

Morris: In other words, he sat in on the first couple of days of the negotiations on the welfare legislation?

Carleson: He was one of the observers on it. Because he had established a very good rapport with Bob Moretti. But the problem was that he didn't know the welfare stuff. A couple of times, in trying to negotiate, it would have been too much of a give-away. Also, remember, our fall-back position was still the initiative.

First-Round Meetings with Legislators and Staff

Carleson: The first day was a fantastic day. Moretti was just agreeing almost to everything. The staff, the key staffers, Bagley's committee people, were sitting behind him. I remember one guy with a beard, Bob Rosenberg. They were just having apoplexy back there. We were just rolling right along. So after the first day, we were very pleased. The governor was pleased. I said to the governor, "I can't believe we got what we got, and I can't believe we're going to hold it. Because when the staff gets to Moretti and Beilenson and Burton, I just can't believe we--I think tomorrow you better watch for some going back over this ground." Stuff that we'd already agreed on.

Sure enough, Moretti said, "Governor, before we go on, there are some things about what we decided on yesterday I'd like to go back over." [laughs] Right on cue. But the governor is pretty tough. He said, "Well, Bob, you agreed to these things. Are we going to go back and start over every day? You said yesterday that we are in agreement on this stuff."

One of the things about Moretti, he was very proud of the fact that his word was his bond, and if he made a commitment or an agreement, he would abide by it. That was one of the things, I think, about his personality that I think was important. I think on a couple of instances, [he said,] "Governor, I understand, and I did make an agreement. But there are a couple of items here"--he had had a bunch of them, but he said, "There are at least one or two of these that I really think in fairness to some of the other people on our side, that we probably should take another look at." And the governor agreed to do that. Although most of the items, I think, he was going to bring up, he decided not to after the governor reminded him that he was in agreement.

All right. Then we proceeded along, and we still did very well. Because again, most of the items made sense, if we explained them. And Moretti would say, "What about this one?" But starting with the second day, others started becoming more involved, not just Moretti. Some of the other members. They had been better briefed by their staffs and were more willing to get into it. So we didn't move as fast the second day as we did the first day. If I remember, this took about five days, four or five days.

Morris: To go through the whole package?

Carleson: Yes, and get agreement, get final agreement.

Morris: The legend is that it was several weeks.

Carleson: No, this is the start.

Morris: Okay, this is the first round.

Carleso: The first round. This took about five days. You have to remember what we're dealing with. We're dealing with legislation that has already been written, because it's our bill.

Morris: And it's already introduced.

Carleson: Yes, but I'm talking about the document we had. It was already physically written. It wasn't like you go in with a concept or with laymen's language of what it is you want to do. It was actually the legislative language was written. And if there was agreement on section two, then that was agreement on section two. That's important to the next phase. If there was any modification of a section, we clearly modified it. We changed the words right there. So that when we were all through, we really had a document. All you had to do was just fix it up--

Morris: Send it to the printers?

Carleson: Well, cut and change things around, delete a paragraph where we'd agreed to give something up, you know, that kind of stuff, put something where we'd agreed to take it.

Morris: Do editorial corrections.

Carleson: Yes. And it was finished. The press had been sitting outside the door every day, and on the last day--big thing, we came out with all the media, the governor and Moretti are shaking hands; we have agreement, we have a bill. That was the big news.

Bill-Revision Double-Cross

Carleson: That was a Friday, because the next day was supposed to be real quick routine. The legislative people said, "You know, this is a bill, and it is in the legislature, so we should be the ones to go--"

Morris: Take it through the legislative counsel?

Carleson: Yes, the legislative counsel, and just polish it up and bring it back. Which should have taken a few hours, because of the

condition in which the thing was.

Saturday morning, I was over in my office in my building, different building, and I remember thinking, "Something's wrong. We should have had it by now. They were going to send it over."

Morris: You'd expected to get it Friday night?

Carleson: Right, we should have had it for Saturday morning. And it wasn't there. Where was it? Frankly, I began to get very uneasy and worried.

So I took Ron Zumbrun with me and said, "Let's go over to the capitol." The important thing is that it was a Saturday, and the first floor was open, but not the other floors. They were closed to the public. We went up to the second floor whatever-it-is, because we were trying to figure out where they would be. I heard a door close down the hall. I heard it close, and I saw it, and it was the legislative counsel's office. So we walked into the legislative counsel's office, walked back through the reception area,--and here was this little group in one of the interior offices working. The group included one of the counsels who, by the way, are supposed to be very nonpartisan. Rosenberg, a couple of the staffers.

Morris: Who'd been at the session all week.

Carleson: Yes. And a couple of members of the California Rural Legal Assistance, the Neighborhood Legal Assistance. Outside, private citizens who were working on this thing. Remember, this was not even public. These had been private negotiations. The legislative team was simply to put this into shape. In fact, one of the guys was from San Francisco Neighborhood Legal Assistance. In other words, these were the people who had been bringing lawsuits against us in all of our regulatory things.

Morris: Right. Were they from CRLA or San Francisco Neighborhood Legal Assistance?

Carleson: I can't remember whether they were from which or both.* I'm

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*In an interview for the project on February 19, 1982, Ronald Zumbrun recalled that this session in the legislative counsel's office included Coleman Blease, then representing the ACLU and a socialworkers union, and Ralph Abascal of the S.F. Neighborhood Legal Assistance Foundation, who also represented CRLA.

trying to remember--there's the one particular individual that later on was in so many of our suits. I might add that these same men later on, when the bill passed and was implemented, brought suits against a lot of the sections. They were in there.

We had sort of caught them red-handed. The counsel was sort of embarrassed. In fact, we were saying, "Why are they in here?" He said, "They just happened to drop by." I said, "When did they happen to drop by? This floor is closed. These offices are all closed. What do you mean they just happened to drop by?" They didn't have a good answer. They just finally admitted that they had been called.

So the stuff they had looked like the stuff we'd agreed to, but they had changed sentences, they had changed phrases, they had made many, many, many, many changes which almost would reverse in many respects the action of the section--

Morris: The negotiating--

Carleson: Yes, of what we meant to do in each of these--

Morris: The governor's team didn't have a copy of the changes as they were being made?

Carleson: We had a copy. We had our stuff, and they had their stuff. We all were working from the same piece of paper, but we were all making our own notes and things. There was no third party sitting at the table recording the stuff.

Morris: There was not a secretary or--?

Carleson: Not a third party. There were professional people of both groups, but there was no neutral. I suppose, if you think in retrospect, it would have better to have gone and found somebody--[laughs] I don't know who it would have been.

Morris: [laughs] From the League of Women Voters?

Carleson: Oh, no.

Morris: No?

Carleson: No, they opposed most of what we did. That's why I said I'm not sure where you'd go to find this individual. So with that, we blew the whistle. Somebody in the governor's office called Moretti and said, "What's going on? You guys are bringing outside people in. You've got them into this process." I think Moretti was very chagrinned at that. I'm sure he did not know that that was happening. I think he was very unhappy that that

had happened. In any event, they're sitting there now with both sides saying that this isn't what we agreed to.

Second Round of Drafting; Leo McCarthy and Edwin Meese

Carleson: Then we proceeded into a very private drafting session. In the drafting session we reconvened virtually everybody except the two principals.

Morris: Moretti and Reagan weren't there?

Carleson: Yes. McCarthy, in effect, led their side. Meese led our side. Meese stepped into the governor's seat. McCarthy stepped into Moretti's seat. I continued in my role to Meese as I had been to the governor, and Zumbrun [did]. So the key people on our side were Meese, myself, and Zumbrun. The key people on their side were McCarthy and Burton and Beilenson and Bill--

Morris: Did Bagley stay?

Carleson: Oh, yes. Bagley, and Bob Rosenberg, who was the key staffer.

Morris: Even though he'd been involved in this Saturday morning bootleg session.

Carleson: Yes. He was their only guy that knew what was in it. He was their technical expert.

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[I don't remember] how many days it lasted. It might have been ten days. That was awful. It was really bad. It was going back and forth, and people were saying, "That's not what we agreed to." Now the people on their side were much more, philosophically, were much more connected with their point of view. Moretti is no longer there.

Morris: The report is that there were some hard words and name calling and things like that.

Carleson: Oh, yes, sure. There was some tough language in the original, when the governor and Bob Moretti--by that I mean--But the stuff that was going on in the second group was really--because Burton was out of his shell, so to speak, and Beilenson and--

Morris: Why was it decided to have Moretti and Mr. Reagan withdraw from the second round?

was finished. Now was drafting. In other words, Moretti agreed that it wasn't right for their people to sit down in a back room and draft it alone with these outside people. So we would draft it together.

Morris: I see, going back over everybody's notes that they had [taken].

Carleson: Yes. He agreed that they had goofed, that this had been contaminated, and that we would draft it [together]. So it was a drafting session, a pretty big group of drafters, but remember, on our side there were only three people. There were some others. We had other people in the room, and they had other people in the room.

Morris: It sounds like the East and West in international relations!

Carleson: It was. We would have to have breaks and go out and caucus and come back and do those kinds of things. In any event--

Morris: Is this taking up all day long, nine to five, every day?

Carleson: Yes. And it went into the evening. One time I remember we broke and we went over and had sandwiches across the street at the El Mirador Hotel.

Morris: Would you have your sandwiches with McCarthy and Bagley and--?

Carleson: No. Sometimes we'd bring stuff in all together, and sometimes we'd break [into our separate groups]. There was one--we were at the point where they were saying we were reneging, and we were saying they were reneging. They were reporting to Moretti that we were reneging, and we were reporting to the governor they were reneging. The governor's office was telling Moretti that his guys were reneging, and of course, Moretti, as I told you, was very fastidious about not wanting to renege. So there was a lot of this--

Morris: Trying to hold him to his word, from your point of view.

Carleson: From our point of view, yes. And I have to say (I obviously was on one of the sides, but I knew what the stuff was, and we worked from our stuff. It was our material. All of the issues were our issues and our elements. We knew that this paragraph was not doing the same thing that that one did) you practically had to be a lawyer to see the differences between these two paragraphs. You could set them side by side and a layman could look at them; they would look enough the same, but they were different. It was that kind of stuff. It was very carefully done and very skillfully done by the other side.

One of the reasons that was so important was because we were

having to ride a very careful line about federal law, because our welfare [code] had to be consistent with federal law. We had figured out ways to write our legislation to stay within the federal law where the conventional wisdom was that you couldn't do this.

Morris: Who was the expert on the federal legislation and regulations?

Carleson: Zumbrun and I. We had read it all.

Morris: You had really researched—?

Carleson: Yes. Zumbrun was the main one. He was my lawyer, and I had read most of it myself. I read the court decisions, the various state and federal Supreme Court decisions. We saw how you could do something. They were trying to write it, their lawyers, their welfare lawyers, not their in-house lawyers, were writing it to make sure it would go down in flames in court if it passed. That's what they were doing. They were writing it in a way that it would look like it was doing what we wanted it to do, but it would violate federal law. That's what they were doing, yes. So that our bill, when passed, would be virtually invalid. Or wouldn't work.

Struggling for Agreement on Benefits Formula

Carleson: This went on. All right, there was one big thing, though, where they had agreed to our biggest piece in there, which related to--it's too technical to tell you about it, but it was a section that related to whether you subtracted the income of people from their standard of need or from the payment standard. And it made all the difference in the world which way you went. They, for policy reasons, their staffers and their people wanted to go their way instead of our way. The question is what had been agreed upon.

They were hanging very tough. McCarthy, who wasn't that familiar with the details, was fighting hard and defending his staff as being correct in what was agreed upon. I wish I could remember the words now. Zumbrun is the guy that remembers this part of the detail better than I do.* But it was one of those

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*See interview with Ronald Zumbrun in this series.

breaks where we went over to the El Mirador, where we were hung up on this issue. McCarthy had finally made it clear that if this section says what you say it means, then we can't accept it, even though we agreed to it. But this is not what we believe we agreed to. We believe we agreed to something else. Do you get that now?

Morris: Yes.

Carleson: Okay. So he was saying that we agreed to this, and we were saying no, we agreed to this [other]. He was saying, well, we can't agree to this. We just won't agree to it, no matter what. But we never did agree to it, and we are not ever going to agree to it. So then it was clear that it was going to blow up on that issue. Remember, the week before, they had been shaking hands in front of the TV, and we had agreement. In effect, what McCarthy was saying was that on this issue, we just cannot and will not agree to what you're saying; we never have agreed to it. And we were in effect saying, but you did agree to it, and therefore, if you change your mind now, then you're reneging. You're going back on your agreement. Okay, that was the issue.

During the break, I was talking to Zumbrun, and we figured out how to catch this guy, Rosenberg, by asking him a series of questions. Meese, when we came back in, Meese said, "All right, I want to get to the bottom of this."

Morris: As to who agreed to what.

Carleson: Yes. It's hard to explain, and I can't even remember the syllogism, but that's the way we worked it out. We planned a series of questions. The series of questions was such that Rosenberg—everybody was focusing on Rosenberg. McCarthy's looking at Rosenberg. Meese is saying--

Morris: In his best courtroom manner.

Carleson: "Question A: Would this be true in this--?" "Yes." "Question B:" "Yes." "Question C:" "Yes." Got him to agree with this. Then Meese swung around to this, "Then therefore, if that's true, then it had to be that you agreed to it," or something. Rosenberg didn't expect the line of questioning to go the way it went.

I remember he just said, "Yes," and his head dropped like, yes, you got us. McCarthy was shocked. I remember he just stared at Rosenberg. Because, see, Rosenberg was really misleading McCarthy and Moretti, is what it was, and they were relying on his interpretation. We had figured out a way to ask a series of questions that would get him to expose it. He didn't

understand what the series of questions was leading to. The result was that then it became clear to McCarthy that they had agreed, but that he now knew they could not accept that, and therefore they were going to have to renege. That was clear to everybody in the room.

McCarthy just sort of said, "Well"--something like this. He's a pretty good guy, too. He said, "Well, I don't know. We can't buy that. We just can't do that. Even if we agreed to it. I guess we agreed to it, but we can't do it."

From our point of view, if they were not going to agree, then that meant that they had reneged from a political or PR standpoint. With that, Beilenson, who had been quietly sitting down at the end of the table--you have to remember, Beilenson was very quiet during most of this thing. He was very unhappy, because it was all going--. I'm sure he never wanted to negotiate in the first place. The pressures, political pressures, that caused Moretti to negotiate were such that he [Beilenson] never wanted to do it. He was there much against his will.

Morris: They were still thinking initiative in the backs of their minds?

Carleson: I didn't know they knew initiative, and I still don't know they knew initiative. I don't know that. I just--Bagley's role of trying to get the thing worked out. Bagley seemed to be very interested in--he was negotiating from his side, but he was also trying to--he wanted to get some agreement. He seemed to be the most worried about getting some agreement, which led me to believe that he knew about the initiative, even though he may not even have told the other ones. I don't know.

In any event, Beilenson at that point started pounding the table--very uncharacteristically of what he's like in public--he was hitting the table, and he was, "You guys, it's all bad. It's ruined." He just went off on a rampage. And we're all sitting looking at him. With that, the thing broke up. When Meese lowered his last question--his last question was a prosecutor's--

Morris: Snapper.

Carleson: Snapper. I mean, it wasn't just a question. He said, "If this is true and this is true and this is true, then that means this has to be true, isn't that right? And therefore, you have not been telling the truth all along." That was the way it was delivered. That's when Rosenberg admitted it, and so forth. So that was the flavor of the thing.

Then with Beilenson's outburst, everything was in disarray; and the meeting broke up. That was theoretically the end.

Morris: Did you think everything was lost at that point?

Carleson: At that time I think we all thought everything was lost. McCarthy was—I don't know who had given him—. He felt he couldn't move any further.

Morris: From the point of view of your team, you felt that maybe the whole thing was lost.

Carleson: We felt we had finally reached the impasse, that would—. We didn't want the impasse, because we did have a good bill, based on our agreement. With this one last major piece, this big piece, we'd even been able to work it out to where we were back to where we were.

Morris: At that point, was there any thought, either on your part or the governor's, that if you had ninety per cent of the bridge—?

Carleson: We didn't have ninety per cent. No, we weren't—that last piece was the big one. That was why they weren't going to give on it. That was it. That was the whole ballgame, see.

Morris: All right. You'd whittled away on all the smaller things working up to the big one.

Carleson: Yes. That was the major piece of the whole thing. That was the key. They knew that. By this time, they knew that, because their experts had made it clear to them. In any event, Beilenson literally, from what I understand, went to his office, and for two or three days wouldn't come out. So then, I think that Bagley was trying to hold it together, and Meese was willing to cooperate, hold it together, and Moretti naturally did not want to be shown to have gone back on their agreement.

Morris: What did the governor think at this point?

Carleson: I'm not sure exactly, but the governor—I don't know exactly. But we were still going to work. We didn't say that it was the end. It's just the meeting broke up. But there were no more big meetings. Everything then was back and forth, Meese to Moretti, Moretti to Meese to me to give them this information, back to—. We would meet; they would go off; they would come back. It was that kind of thing that went on.

Finally, the end result of that was, we finally got it. They finally gave in. Moretti, when it was explained to him, and so forth and so on, Moretti finally agreed to what he'd originally agreed to, and we in effect had the package.

Property Ownership and Indexing Compromises

Carleson: It's sort of funny, because there was one other item that we had not taken up before it broke off. It was the item that related to how much property somebody can have and be on welfare. We had gone over it a couple of times, but we hadn't been able to come to agreement on it. McCarthy had tried his hand at it, at doing it himself. He was trying to do what we wanted to do, but they were doing it a different way. It wasn't one of those really bad things. It was just one of those things. So he had drawn a way to do it, and we hadn't agreed to it. But the negotiating group broke up before we could get to it. When they got the big one resolved, there still was that thing left.

Finally they said, "We want to go the way we wrote it." I said to them, if they're insisting on it, okay, we'll go that way. And we went that way. And it was really funny, because that particular element, after the bill passed, gave us the most trouble in court and in legislative hearings, because it was unclearly written, and it was ambiguous. We tried to write a regulation to implement it; we had a lump-sum amount. Somebody could have two thousand dollars worth of stock or whatever it was.

And McCarthy said, "What is the purpose of this?" Well, it's because people have color TV sets, and they have this and they have that, so there has to be a limit. So he said, "If we're talking about TV, let's say TV sets." So he was writing his by saying you couldn't have a TV set worth more than so much, and you couldn't have a—. [laughs] You know, it was a car worth more, then furniture worth more than this, and it was trying to put a listing in instead of just a lump amount. As far as we were concerned, if you wanted to have a color TV set, but you didn't have anything else, that was okay.

So we ended up with this funny section that, when we came to write regulations on the thing, it was a little thing, but it was sort of funny, because later when I was taking a beating for one of the sections, that happened to be the section that the guy that was beating me on the head had written.

I'm going to have to move along. So what happened is that finally we got it. They would come back to me, and they would be inching closer. I kept saying no. I felt tremendous pressure, because the governor had cleared his desk for several days, and he was practically--there was nothing to do.

Morris: Waiting, waiting to sign that bill.

Carleson: Waiting. He would sit back in his office, and I would come in, and he'd say, "Hey, Bob, do we have a bill yet?"

I'd say, "No, Sir, we don't." Then they would come to me with something else, and I would say, "No, that doesn't do it." I was getting pressure from our own people, "Come on." And I said, "No, it doesn't do it." I kept saying no, and then finally, they finally came down with that, and I said, "Okay, that does it."

I remember the one thing I agreed to that I really didn't want to agree to, that I almost held out on, was whether you indexed AFDC benefits. I was for annual increases for AFDC, because I didn't want to see them get too far out of line. But I didn't want to see it written into the law, because we'd rather have gone back every year to bargain the increase to get something else. But if you write the increase in the law as an annual indexing, then you've given this bargaining chip away. So in principle, I was for increases each year for inflation, but I did not want to see it in the law. That was one thing they insisted on at the end that we did give in on.

So the indexing--that's important, because--. So people don't misunderstand, we <u>wanted</u> the concept of indexing. In fact, that's why we finally gave in. They said, "If you believe in annual increases, then let's say so and put it in the law." We did believe and do believe in annual increases. Except that from a tactical standpoint, we would rather have the increases passed each year, so that some other change could be made in an area where you could make some savings. We were for the increases, but we weren't for writing them in the law.

<u>Signing and Implementing S.B. 796, the Beilenson Bill</u>

Carleson: In any event, we finally had the bill. I remember I went in to tell the governor. He said, "Do we have a bill?" I said, "Governor, we have a bill."

I remember he said, "Well, Bob, I'm really glad. I'm glad we have it. I'm really glad we have it. But," he said, "you know, I was lying in bed last night thinking of my opening speech for the initiative." [laughter] He said, "We really could have made that initiative go."

I said, "That's right, but we've got a year. The initiative would set us back a year." See, the people could say, why not

just go with the initiative, why do anything? It's because we would have lost a year. Because it would take that long for it to pass and become law, and so forth.

Morris: And you're already into the second term.

Carleson: Sure. So we would have just lost a year. So he was pleased. I think I had said--it's hard to quantify, but I would say that we got at least eighty per cent of our original package. We got everything that we had to have. And I might add that since that time, changes in federal regulations that we did when I went back to HEW later in '73--

Morris: You were lobbying from the Washington end for the same thing.

Carleson: I was changing federal regulations later as U.S. Commissioner of Welfare from March 1973 through October 1975. And then even more recently, with our new welfare reform things that passed in '81, we have made the California bill at least a hundred per cent complete. So within a couple of years, from the federal end, we were able to make changes that did some of the things that we were trying to do that we couldn't get at the state end.

Okay, so it went through the legislature in three days. It was the Beilenson bill.

Morris: Really?

Carleson: Because, you see, the vehicle was the bill that had been sort of a shell that the senate had voted and sent over to the assembly.

Morris: I see, so Beilenson's original bill had just been what they call a skeleton bill.

Carleson: It had been sort of an emasculated bill to start with, but then you cut away everything after the title--

Morris: And then you amended in all--

Carleson: We amended in our stuff, the stuff we'd agreed to. So that the irony was that the bill that passed was the Beilenson bill. I remember later when we sent out notices to the welfare recipients of their reductions in benefits--

Morris: Reductions?

Carleson: Some had reductions, and some were off. We had to send notices. Beilenson got very upset, because we said in accordance with SB number so-and-so, parenthesis (Beilenson). [laughs] He didn't want to be identified with it, but he was the sponsor.

Very quickly, I'm going to run through the rest of the stuff. There was a big celebration in the governor's office when he signed the bill.

Morris: I wondered if somebody had a bottle of champagne on ice.

Carleson: Oh, they had champagne. The irony of the whole thing was that I was there through the first day or two of the hearings to get it through. I had to go over to Colorado to talk to the Colorado legislature, because they had invited me over to explain our welfare reforms, because Colorado was interested in doing the same things. It was a commitment I'd made. Their legislature was out of session, and they'd pulled in most of their members just to hear it. So physically I was in Denver when the bill was signed, so I missed the signing and the party. However, when my plane got back to the Sacramento airport, Ed Meese and Verne Orr and Jim Hall met me at the airport, and we had a drink in the bar at the Sacramento airport.

Morris: That's nice.

Carleson: That was nice of them to do that. But in any event, in all of this euphoria, I was the only one with a face that was very sober, because I knew I had to implement the bill. The implementation turned out to be very, very interesting. Because we had written almost all of our regulations in anticipation of the bill. So there were a few things that were put in the bill that were new, that were Beilenson's things, some money for some child care, some money for some job training, and a couple of other things that he had wanted and that we agreed to and put in the bill. So when we came out with our implementing regulations, naturally the stuff that was our stuff was all ready. The stuff that was his stuff, we were writing up as fast as we could, but it wasn't ready as soon as the other stuff.

We put it all out. It was a big bill and a lot of regulations that had to be put out. We had a short time, and we were putting it out as we were finishing it. The stuff that we already had written, we were able to put out right away, and then we were putting out the other stuff as we would get it finished. We had it all on a fast track.

But Beilenson was accusing us of dragging our feet on the stuff that the legislature wanted. As though it was a plan, and it wasn't a plan at all. It's just that we had a head start on all the other material, because we'd done our homework in anticipation of it passing.

Then Beilenson tried to create a joint committee, a joint senate-assembly committee. He couldn't get his resolution through the assembly to have a joint committee. So instead he created a

subcommittee of his own committee, which he chaired, and he selected the senate members very carefully. He got a group of the senate members that were all his allies. In fact, Lou Cusanovich, who was the ranking Republican on his committee, wanted to be on it, and he wouldn't let him be on it. Then he invited a selected number of the people from the assembly, all of whom, even Bagley was on there, all of whom had opposed our stuff in one way or another. Although it appeared to be bipartisan, you had the Bagleys and a couple of others like that who had opposed our stuff in the hearings, because they were connected with the FAP group.

So he made it appear like it was a joint committee, but it was not legally a joint committee, because the assembly had not passed the resolution to set up this committee. Ostensibly it was to investigate the implementation of the welfare reforms. It was a kangaroo court.

Beilenson--it was several days, and I had to go to all of these hearings, right when we were in some of our most critical periods of trying to get these regulations out and meet the October first deadline--he put out a big report at the first meeting, full of charges as to what we had done, right at the start. And I might add that a couple of months later, when his final report came out, as a result of all these hearings, they'd even done a poor job of cutting and pasting, because the final report was almost identical to the original charges that he had started the hearings with.

All the material, he in effect was claiming that a lot of the regulations we had adopted implementing elements of the law were illegal. In other words, we had not written them legally. He had some of their counsels' opinions. We went out and got attorney general's opinions. The attorney general's opinions on every one of the sections said they were completely legal. And an attorney general's opinions have a certain weight of law in California. We entered all of those into the record at those hearings. None of them were referred to at all in his report of the findings of the hearings. They just ignored them.

The report was so bad that none of the Republicans that were sitting on this ersatz joint committee would sign the report. Bagley wouldn't sign it. The other Republicans that were on there would not sign the report. So the report was purely a partisan one. Beilenson put it out, and he and I had back-to-back press conferences where he attacked me, and I attacked his report.

We were taken into court on almost all of our elements by either the San Francisco Neighborhood Legal Assistance or the California Rural Legal Assistance.

Well, there is a lot of stuff about the implementation, but I have to catch a plane in an hour. You'll find the details here in this other report we did.* [Taps book on coffee table.]

[End of interview]

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*The document on the table was California's Blueprint for National Welfare Reform, Proposals for the Nation's Food Stamp and Aid to Families with Dependent Children Programs, Ronald Reagan, Sacramento, September 1974.

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Welfare Reform Act Comes Under Heavy Attack in State and Federal Courts

The Welfare Reform Act of 1971, which was born out of intense and often bitter negotiations between the executive and legislative branches, has proven to be no less troublesome in its implementation. Two months after the measure obtained a two-thirds vote in the Senate and Assembly and was signed into law by the Governor (see *California Journal*, July-August 1971, p. 193), state officials, county administrators, legislators, the courts, and welfare rights organizations are caught up in a growing controversy as to the intention of the law, the legality of several of its major provisions, and the manner in which it is to be carried out.

The fact that the act, which was signed by the Governor on August 13th, was to become operative on October 1st, inevitably meant that there would be several serious problems in drafting the necessary rules and regulations, particularly for those sections of the bill written in the executive-legislative bargaining sessions. The short time available for drafting regulations was further compressed due to the fact that most of the counties process welfare payments by computer, and it was essential that they know enough about the new regulations to enter new instructions into their computers well before October 1st.

Late in August the Department of Social Welfare sent every county welfare administrator a summary analysis of the new act and established a liaison committee of county officials to assist in working out the details of implementation. On September 2nd the department director telegrammed every county welfare administrator a set of guidelines for carrying out the new provisions, including the wording of a notice to be sent to all beneficiaries in mid-September, informing them their grants might be increased or decreased effective October 1st according to the new law. Later in the month each county was given a new form for issuing such notices and advised to do so no later than October 1st. This notice, required by law, subsequently figured in one of the principal court challenges to the new law.

Counties Ready

At this same time the department drew up and submitted to the U.S. District Court in San Francisco a new set of fair hearing regulations (as required by new federal law and a court order) to be employed by the state and counties in responding to welfare recipients who are to lose aid under the new law. These regulations were approved by the court on September 9th and copies were distributed to the counties the following day. When this had been done and the necessary changes in computer instructions worked out, the counties were ready to begin mailing out benefits under the new schedules so that they would arrive by October 1st. Among the changes going into effect on that date were: removal from the rolls of families with gross income above certain new ceilings; the assumption that one-half of a stepfather's gross earnings are available for family support; a ceiling of $50 on allowable work-related expenses, plus, "reasonable" expenses for child care; a reduction in "special need" allowances; and the deduction of nonexempt income from benefits payable to recipients with outside income.

First Challenge

The first lawsuit challenging these provisions was filed in the Sacramento Superior Court by the Alameda Legal Aid Society on September 22nd. The suit sought to block implementation of the work-related expense allowance on the grounds that it is contrary to federal welfare law, although the new regulation in fact had not been formally filed by the state. Six days later the Third District Court of Appeal stayed the restraining order, giving the state authority to proceed with implementation of this provision.

On September 28th, four days before the provisions of the new act were to go into effect a second temporary restraining order was issued, blocking their immediate implementation. The order, issued by Judge Albert C. Wollenberg of the U.S. District Court, in effect directed those counties which had not fully complied with the new notification of fair hearing regulations to temporarily halt implementation of the new schedules. Those counties affected by the order which were unable to make last minute adjustments in their October 1st welfare checks were instructed to make supplemented payments within a week to restore any cuts in benefits.

Ralph Abascal, an attorney for the San Francisco Neighborhood Legal Assistance Foundation who has since become the coordinator for a whole battery of court challenges, promptly charged that all counties were subject to the temporary restraining order because the notice forms provided by the state did not meet the court's requirements. Although some counties rejected Abascal's advice, others were thrown into a state of confusion regarding the legality of the welfare checks which they were ready to send out in only a few days. This confusion grew when the Superior Court in Ventura County granted a temporary restraining order halting implementation in that county because of the possibility of improper notice. This decision was at first reported to be applicable to the whole state, rather than just Ventura County, and again seemed to threaten all of the changes scheduled to go into effect October 1st. That misconception was cleared away when the court subsequently issued a preliminary injunction (made a final judgment on October 7th) applicable only to reductions in benefits for "special needs" and only in Ventura County.

Meanwhile, the U.S. District Court in San Francisco extended its restraining order requiring that AFDC recipients continue to receive aid under the old welfare laws until they have been given adequate

notice of prospective changes in their benefits. According to Ronald A. Zumbrun, Deputy Director for Legal Affairs in the Department of Social Welfare, at least 17 counties had complied with the notice form recommended by the state and therefore were in compliance with the court. Abascal, however, continued to challenge the state procedure and succeeded in getting the federal court to issue an order directing Contra Costa County to explain why it should not be held in contempt of court for continuing to grant aid under the new regulations. This was to provide a test case for the notice procedure recommended by the state and followed by Contra Costa.

On October 29th the federal court ruled that the state-recommended mid-September notice to recipients was not acceptable. Zumbrun immediately announced that the state will appeal that decision but said that the consequences would be minor in any case, as most counties had sent out revised notices, not considered by the court, later in that month and in early October.

Supreme Court Order

The first major challenge to the new laws came in the form of a California Supreme Court order on September 29th staying application of Section 28 of the new law — the section which establishes a new schedule of benefits. The expected effect of the new section is to reduce grants to some 150,000 families with outside income and to raise grants to 300,000 families with no outside income. The plaintiffs say the provision violates the federal Social Security Act which governs federal welfare funding. The court agreed to study the issue and ordered that the new standards not go into effect until the issue is resolved.

The immediate result of these actions was that only two provisions of the new act actually went into effect on October 1st: the $50 standard allowance for work-related expense and the inclusion of one-half of a stepfather's income as outside income available for family support. Other provisions were either blocked by the Supreme Court's order or held back by the department. As a consequence, according to the Department of Social Welfare, most of the welfare checks which had been prepared by the counties for mailing at the end of September were in the wrong amounts — roughly one-third were too small (or the recipient had been dropped) while two-thirds were too large.

Many checks had already been mailed before the Supreme Court order was issued, but when the order was received a number of counties held up further mailing. The reason for this was that existing regulations called for paying AFDC grants in two equal installments, making it impossible to adjust the second (mid-October) payment for errors in the first. The department quickly issued an emergency regulation superceding this rule and then urged the remaining counties to mail their checks promptly. The director also directed all county welfare directors ("as a precautionary measure") to renotify, with the second payment, every recipient who stood to lose aid under the new law.

Both sides in the litigation agree that if the state can get court approval of its notice form quickly, the new schedule of benefits reflecting portions of the new law not otherwise blocked by court orders may be allowed to go into effect November 1st. However, according to Ralph Abascal, the state will have to give each recipient a specific reason for any payment reduction rather than a listing of possible reasons such as appeared on the earlier notices. Otherwise, says Abascal, the recipient cannot know what specific action to appeal should she or he choose to do so.

Two More Challenges

In mid-October there were two additional court actions which will delay implementation of at least one other section of the Welfare Reform Act. On October 14th, Judge William Gallagher of the Sacramento Superior Court issued a temporary restraining order directing the state to stop enforcing the new provision requiring the adult children of Old Age Assistance beneficiaries to contribute more toward their parents' support, a provision expected to reduce OAS payments by $20 million per year. The state immediately asked the Third District Court of Appeal to overrule Gallagher's order on the grounds that he made his ruling after the state had entered a motion that he be disqualified from hearing the case. The appellate court on October 29th ruled in the state's favor in this case, staying the superior court order and directing the plaintiffs to show cause as to why the state's appeal should not be granted.

Less than a week later another Sacramento Superior Court Judge, B. Abbott Goldberg, granted an injunction barring the state from enforcing that provision of the new act which automatically assumes that one-half of a stepfather's income is available (as his wife's share of community property) for support of his wife's children. Goldberg agreed with the plaintiffs' attorney that federal welfare regulations prohibit the state from operating on such an assumption.

Attorneys, Court Attacked

Administration officials charge that many of these cases are a result of a concerted effort by legal aid attorneys and welfare rights organization to tie up the state with litigation and others forms of harassment. They point particularly to apparant coordination of legal tactics (which "public interest" attorneys freely acknowledge is being performed by the San Francisco Neighborhood Legal Assistance Foundation) and to the number of suits that have been filed in the Sacramento Superior Court where welfare plaintiffs have had noteable success in the past.

These officials have reserved their strongest criticisms, however, for the courts themselves. At the October meeting of the State Social Welfare Board, Robert E. Mitchell, the board's chairman, and John A. Svahn, deputy director for administration in the Department of Social Welfare, charged that the courts, lacking real knowledge regarding welfare, were issuing temporary restraining orders much too freely. Governor Reagan has himself charged that "hasty and uninformed court decisions" and "bungling interference by the courts have damaged state and county administration of welfare. Nevertheless, welfare officials express confidence that all of the major provisions of the 1971 Welfare Reform Act will be upheld. The press, they say, has overplayed the effect of temporary restraining orders and preliminary injunctions which are granted only to give the courts time to study the issues.

Others are less convinced as to the strength of the state's position. Robert Brown, executive vice-presi-

dent of the California Taxpayers Association, which has recently completed a study of welfare administration, contends that the Department of Social Welfare continues to be a victim of its own poor drafting and bad management of welfare regulations. Legislative staff have been even harsher in their comments, stating that the administration has violated several of its agreements with the Legislature in implementing the new law and has gone out of its way to harass welfare recipients under the new regulations.

Senate Charges

Three principal charges have been made in the Senate regarding the alleged violation of legislative-executive reform agreements. The first is that the Department of Social Welfare, in its rush to implement some features of the new act by October 1st, as required by the law, failed to draft regulations in other areas of particular interest to legislators. These other areas included employment and job training programs; child care for former, current and potential welfare recipients; family planning; fraud control; absent parent support; and limitations on personal property exemptions.

Second, it is charged that in several instances the department has adopted regulations which are clearly contrary to the intent of the new state law. Among these are: the regulation regarding an AFDC mother's interest in her husband's (stepfather's) income, which attempts to capture more of that income than the law allows; a fixed allowance of $25 for work-related expenses of recipients employed 10 days or less per month; a requirement that child care be provided if possible by any "nonworking persons" in the household; stringent limitations as to what will be allowed as "special needs"; failure to provide for an increase in OAS grants at the same time as contributions from adult children are increased; and ambiguity in the wording of a regulation which disqualifies persons whose gross income exceeds 150 percent of their estimated need. It is also charged that the department is considering cutting off welfare aid to expectant mothers, now eligible for assistance from the date of conception. This charge has provoked strong denials from department officials and increased efforts to bar release of regulations which are under study but which have not been approved by the director.

Finally, it is charged that the department has attempted to implement regulations which were specifically rejected by the Legislature in drawing up the 1971 act. Among these are regulations which could require recipients to spend all of their cash reserves before qualifying for special needs allowances; a proposed regulation to consider a portion of the grant to an aged, blind or disabled recipient living with an AFDC family as available to the AFDC family; and a proposed regulation pertaining to "in-kind" income.

Hearings Planned

Senator Anthony C. Beilenson, Chairman of the Senate Committee on Health and Welfare, whose bill became the vehicle for the new act, has met with administration officials in an attempt to resolve these differences. The meetings did not prove succesful from Beilenson's point of view, however, and he now plans to hold public hearings on the matter in November or December. On October 19th, Beilensen introduced Senate Concurrent Resolution 132 which directs the committees of both houses "to investigate the implementation of the . . . welfare measure in order to determine the nature and source of implementation problems" and to report on their findings by January 15, 1972.

Another study of the Welfare Reform Act is being organized by the Assembly Office of Research. In this case a study group made up of the staff of the Assembly and Senate welfare committees, representatives of the Legislative Analyst's Office and the Auditor General's Office, Office of Research staff and others has been formed to evaluate the impact of the changes in the welfare laws for those who have been receiving welfare. A similar study is to be undertaken to assess the impact of changes in the Medi-Cal program.

Medi-Cal Changes

In sharp contrast to turmoil surrounding implementation of the new welfare laws, changes in the Medi-Cal program have been put into effect with no significant opposition. Neither the California Medical Asociation nor California Rural Legal Assistance, which have been active in the past in opposition to Medi-Cal "reforms", have sought to challenge the implementing regulations in the courts. Limitations on doctor visits and drug prescriptions, which, together with "co-payments" required of patients who are to receive such services, are expected to save the state some $120 million, apparently are going into effect uncontested. Necessary federal approval for the co-payment system was received October 1st.

1970 Population Breakdown

The Census Bureau of the U.S. Department of Commerce recently released a state-by-state breakdown of population for 1970, by race and ethnic group. For the nation as a whole, nonwhite population amounted to 11.2 percent of the total, according to the census figures, which include Mexican-Americans with whites. Figures on the Mexican-American population of the nation and the individual states will not be available until special sample data are reported in April 1972. The census figures for California are as follows:

	Number	Percent
White (includes Mexican Americans)	17,761,032	89.0%
Negro	1,400,143	7.0
Indian	91,018	.5
Japanese	213,280	1.1
Chinese	170,131	.8
Filipino	138,859	.7
All Other	178,671	.9
Total	19,953,134	100.0%

The state Office of Population Research has estimated the Spanish surnamed population for 1970 at 2,655,000. If correct, this would amount to 13.3 percent of total state population, and the figure for whites would be reduced to 15,106,000, or 75.7 percent. The Spanish surnamed estimate is based on the assumption that the proportion of persons with a Spanish surname who were of school age remained the same in 1970 as in 1960.

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